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Roundtable on Sustainable Palm Oil

Annual Surveillance Audit Report

Report no.: ASA3_096705

Surveillance assessment against the
RSPO Principles & Criteria National Interpretation Indonesia year 2008

PT Perkebunan Nusantara III Sei Mangke Palm Oil Mill

Jln. Sei Batang hari No. 2 Medan, 20122
North Sumatera, Indonesia

Date of assessment : June 23 to 27, 2014

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1.0 SCOPE OF ANNUAL SURVEILLANCE ASSESSMENT

1.1 National Interpretation / Standard Used

The operations of the palm oil mill(s) and its supply base of FFB were assessed against National Interpretation Indonesia year 2008 of the RSPO Principles & Criteria (P&C) and the RSPO Supply Chain Certification Systems (SCCS) document (November 2009)

1.2 Type of Assessment

The annual surveillance audit was carried out on 1 (one) mill and 5 (five) company estates to this mill, which are Dusun Hulu Estate, Gunung Para Estate, Gunung Pamela Estate, Bangun Estate and Rambutan Estate owned by PT Perkebunan Nusantara III (PTPN III). The date of certification of this unit was 2010-08-16.

The scope of the Supply Chain Certification System assessment covers the implementation of the Mass Balance supply chain model of Sei Mangke Palm Oil Mill

1.3 Certification Details

The details of RSPO certification of Sei Mangke Palm Oil Mill are as per the table below

Table 1: RSPO Certification details of Sei Mangke Palm Oil Mill

RSPO Membership no. :	1 -0030-06-000-00 (since 14-12-2006)
Child numbers of each certification unit :	-
RSPO Certificate no. :	824 502 14008
Date of first RSPO certification & validity :	August 16, 2010 & valid until August 15, 2015
Date of certification audit :	June 25 - 29, 2009
Date of previous surveillance audit :	July 01 to 06, 2013
CPO tonnages claimed :	37,430 tonnes
PK tonnages claimed :	7,546 tonnes

1.4 Location and Maps

Table 2: GPS locations for all estates and mills included in annual surveillance assessment

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Dusun Hulu Estate /(KDSHU)	Nagori, Dusun Ulu, Ujungpandang Sub-district, Simalungun, District 21184	03° 05' 56.8"	099° 28' 43.9"
Bangun Estate (KBANG)	Nagori Senio, Gunung Malela Sub-district, Simalungun District, 21151	02° 58' 27.7"	099° 10' 05.0"
Gunung Para Estate (KGPAP)	Desa Gunung Para 2, Dolok Merawan Sub-district, Serdang Bedagai District, 20600	03° 09' 53.2"	099° 06' 27.8"
Pamela Estate (KGPMA)	Desa Gunung Pamela, Slipispis Sub-district, Serdang Bedagai District, 20692	03° 13' 19.5"	099° 03' 51.9"
Rambutan Estate (KRBTN)	Desa Paya Bagas, Tebing Tinggi Sub-district, Kabupaten Serdang Bedagai 20602 & Sei Semujur, Sei Suka Sub-district, Batu Bara District	02° 54' 04.2"	099° 34' 00.2"



Figure 1: Location of Sei Mangke mill and 5 company-owned estates within its supply base



Figure 2.a: Map of Dusun Hulu Estate

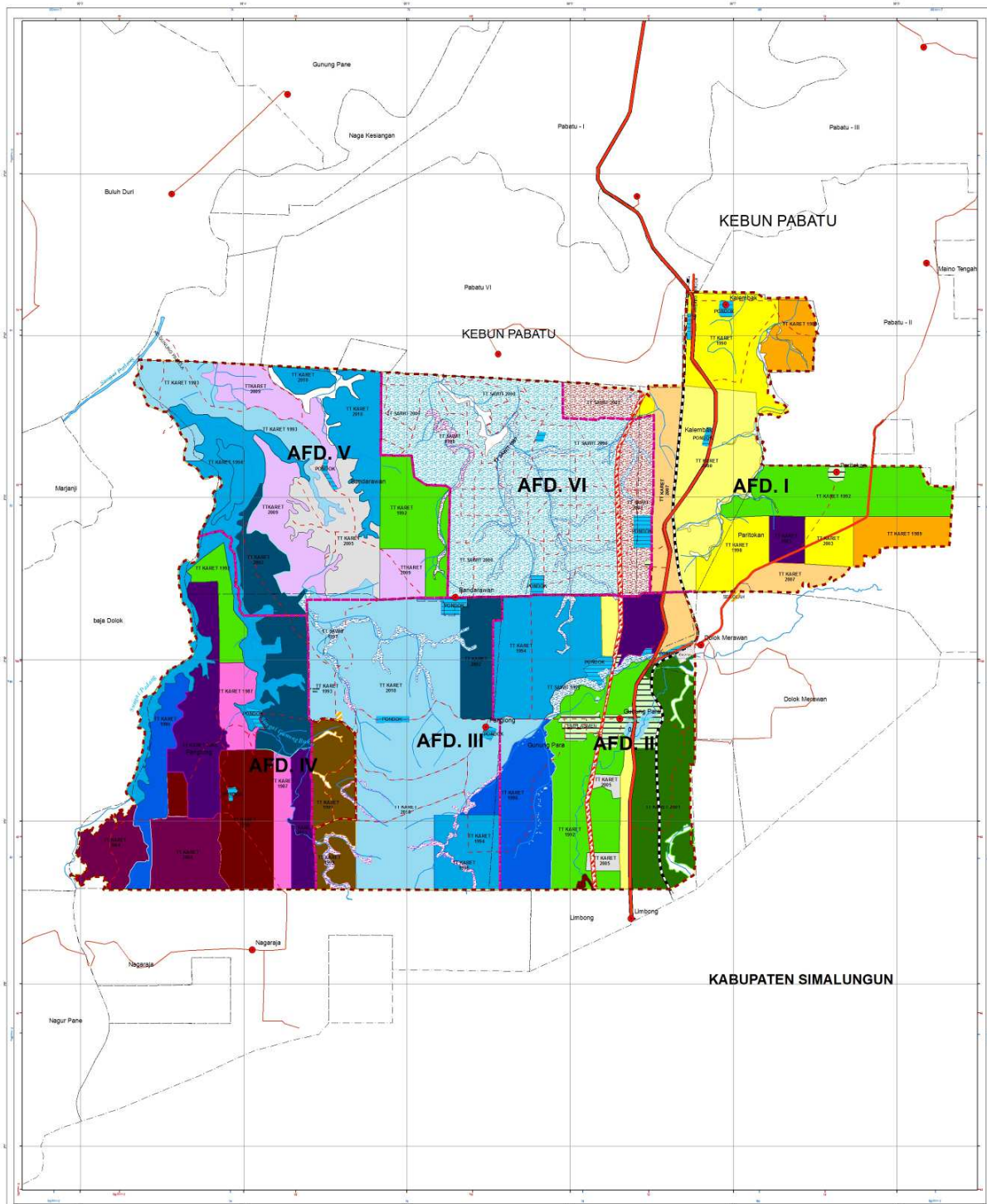


Figure 2.b: Map of Gunung Para Estate

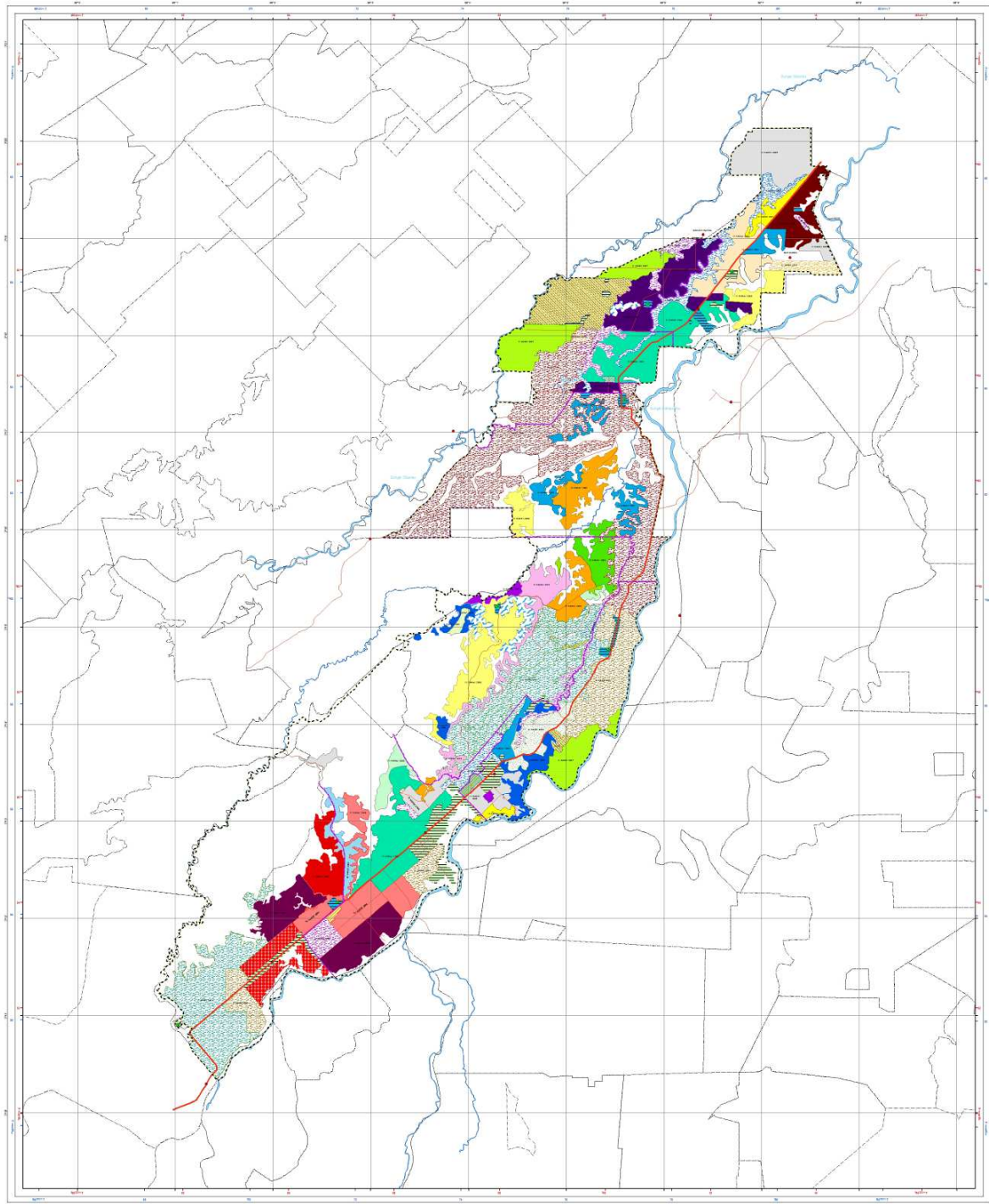


Figure 2.c : Map of Gunung Pamela Estate

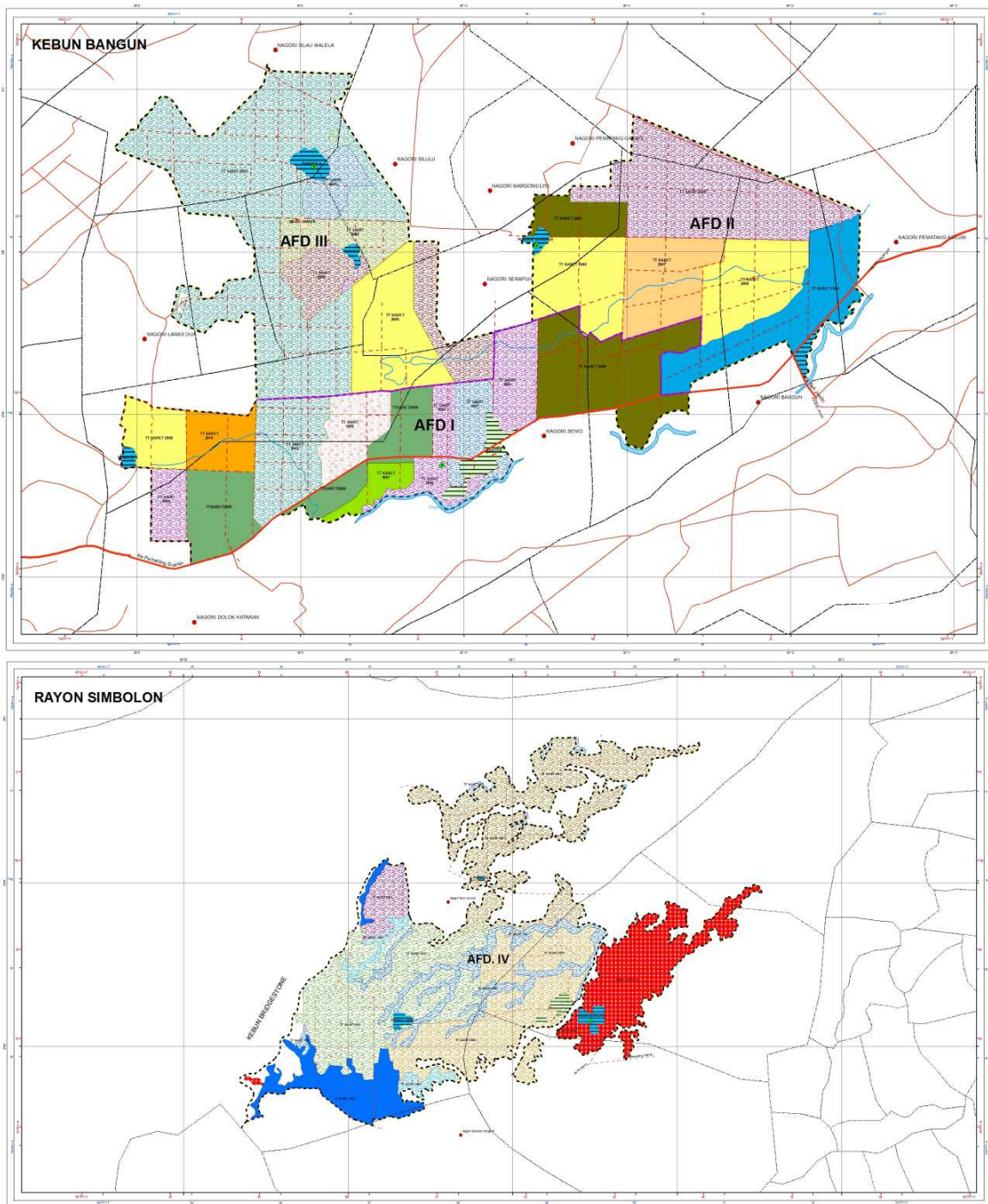


Figure 2.d : Map of Bangun Estate

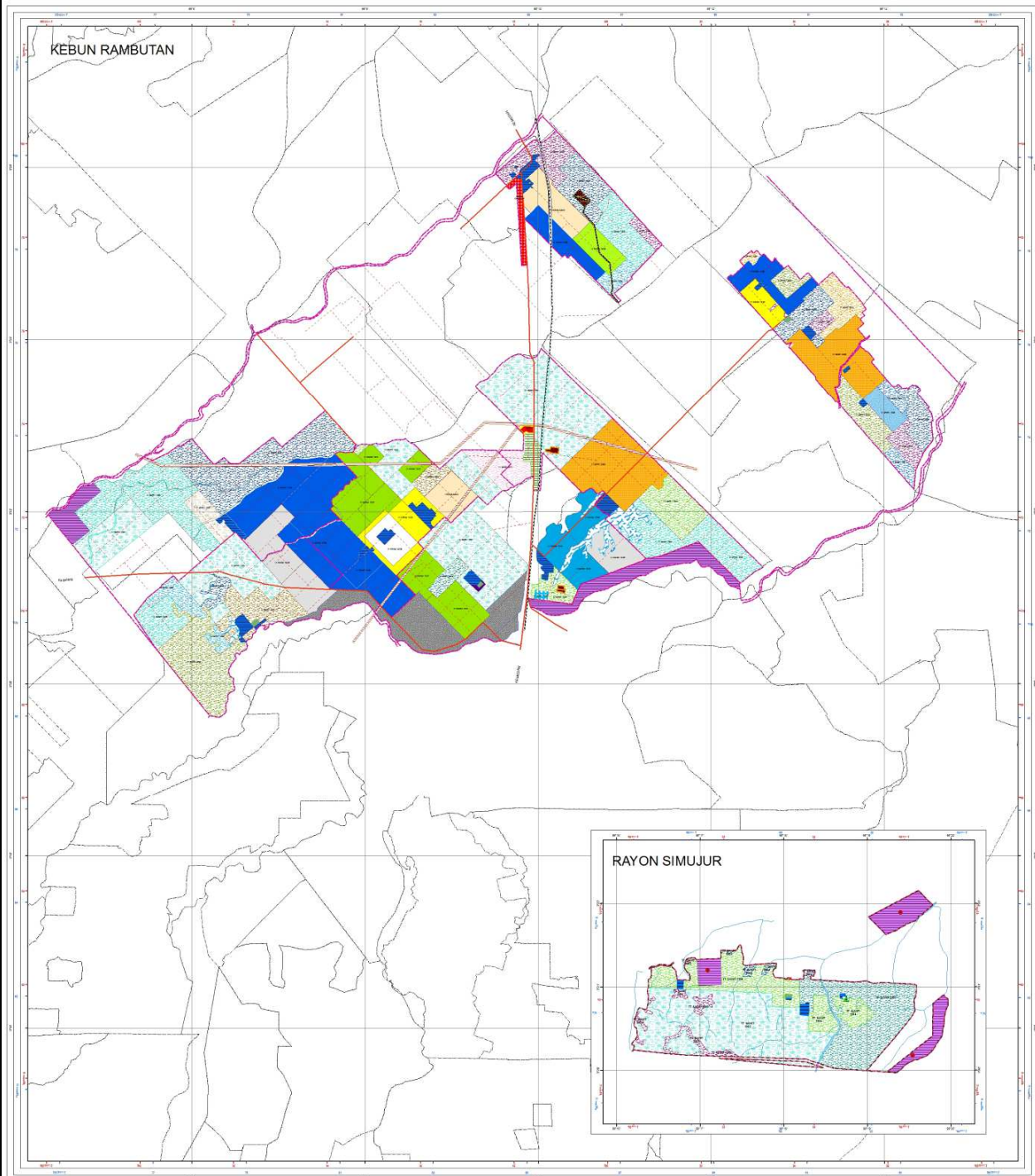


Figure 2.e: Map of Rambutan Estate

1.5 Organisational Information / Contact Person

Contacts details of the company are as follows :

Company Name:	PT Perkebunan Nusantara III (Sei Mangke Palm Oil Mill)
Address:	Jln. Sei Batang hari No. 2 Medan, Indonesia
Contact Person:	Mr. Tio Handoko
Telephone:	061-8452244
Email:	ptb@ptpn3.co.id

1.6 Description of Supply Base

Sei Mangke Palm Oil Mill (POM) is one of several palm oil mills owned by PT Perkebunan Nusantara III, and is located in Sei Mangke Kecamatan Bosar Maligas Kabupaten Simalungun, North Sumatera. Sei Mangke POM was established in 1997, having obtained license of establishment ('izin pendirian') with the following details: Surat Keputusan (Decree Letter) Bupati from the District Head of Simalungun, No. 503/4560/IISIM-1997. Sei Mangke POM has a production capacity of 30 ton/hour. Since January 2011, company increased their capacity production from 30 ton per hour to 75 ton per hour. Currently, Sei Mangke POM receives FFB supplies from 5 company-owned estates, and these are Dusun Hulu Estate, Bangun Estate, Gunung Pamela Estate, Gunung Para Estate, and one division of Rambutan Estate. Sungai Mangke Mill also receives FFB supplies externally from independent smallholders, who act as middlemen or FFB agents to collect FFB from many small farmers and supply these to the mill. These agents (2013 years) are UD.Bentasi, UD.Gintar, UD.Lestari, CV.Ramayana S, CV.Sama Suka, PT Pariqa Aliya Pamingke, UD.Anastesia, CV.L.Mamanggei, UD Mario Mandiri , CV Kesuma Mandiri, UD Raka Jaya. The FFB supplies received from company-owned estates and independent smallholders are as described below:

Table 3: FFB Supply Information for Sei Mangke Palm Oil Mill year 2013

FFB Contributors	FFB supplied 2013*		FFB supplied 2014**	
	Tonnes	%	Tonnes	%
Company owned (certified) estates:				
Dusun Hulu Estate (KDSHU)	70,212.430	44.75	25,440.090	33.50
Bangun Estate (KBANG)	28,696.390		12,062.670	
Gunung Para Estate (KGPARG)	11,844.590		0	
Gunung Pamela Estate (KGPMA)	37,305.630		3,540.330	
Rambutan Estate (KRBTN)*	8,267.530		5,002.530	
Sub Total A	156,326.57			
Non Certified Estates :				
Gunung Monako Estate (KGMNO)	6,747.960	20.25	572.940	25.85
Sei Dadap Estate (KSDDP)	34,505.650		19,201.000	
Bandar Selamat Estate (KBDSL)	29,688.660		5,508.040	
Kebun Silau Dunia	0		260.690	
Kebun Pulau Mandi	0		9,984.100	
Sub Total B	70,942.27			

FFB Contributors	FFB supplied 2013*		FFB supplied 2014**		
	Tonnes	%	Tonnes	%	
Independent outgrowers :					
UD.Bentasil	30,516.370	35.00	8,709.880	40.65	
UD.Gintar	1,749.200		3,430.540		
UD.Lestari	30,912.410		17,306.290		
CV.Ramayana S	12,183.790		2,003.680		
CV.Sama Suka	17,280.900		5,660.530		
PT Pariqa Aliya Pamingke	12,821.350		4,957.370		
UD.Anastesia	16,399.230		6,884.480		
CV.L.Mamanggei	1,130.930		0		
UD Mario Mandiri	0		5,716.480		
CV Kesuma Mandiri	0		24.050		
UD Raka Jaya	0		1,184.570		
Sub total C	122,994.02				55,877.87
Total A+B+C	350,263.02		100		137,450.26

*Note: Only one division of Rambutan estate is supplying FFB to Sei Mangke mill. Other divisions supply to other mills

1.7 Actual production volumes and project outputs.

To date, PTPN III has not sold any CPO as RSPO certified material, as viewed from the table below.

Table 4: Total and projected CPO and PK production from Sei Mangke Mill

	Amount (MT)	
	CPO	PK
Certified tonnages claimed in certificate	37,430.00	7,546.00
Tonnages sold*	76,311.280	17,150.295
Actual production**	74,697.449	17,587.186
Actual certified product production***	35,782.379	7,217.122
Projected output for year 2014	97,829.569	19,671.883
Conversion Factor	21.33%	5.05%

*Tonnages sold from certified estates but not claimed as RSPO certified material plus carry over product from year 2012 i.e. CPO is 2,022.928 tonnes and PK is 497.280 ton.

** Actual production from January to December 2013 consist of material from certified and non-certified FFB.

*** Actual certified product production from January to December 2013, material from certified FFB only.

1.8 Dates of Plantings and Replanting Cycles

The company follows a replanting cycle of 25 years. Information on the dates of plantings are as per the table below.

Table 5: Age and year of plantings of company estates supplying to Sei Mangke Palm Oil Mill Period year 2014

Age & Year of Plantings	Oil palm planted area at each estate(ha)					
	KDSHU	KBANG	KGPARG	KGPMA	KRBTN	Total
0 – 5 yrs (2010 – 2014)	296.45	358.76	-	179.40	1,074.38	1,908.99
6-10 yrs (2005 – 2009)	309.05	412.85	-	175.50	660.29	1,557.69
11-15 yrs (2000 – 2004)	1,204.95	888.40	475.79	1,421.06	1,283.09	5,273.29
16-20 yrs (1995 – 1999)	44.80	206.43	76.65	254.41	599.80	1,182.09
21-25 yrs (1990 – 1994)	654.45	-	-	-	1,082.35	1,736.80
TOTAL	2,509.70	1,866.44	567.44	2,030.37	4,699.91	11,673.86
Difference between year 2013 and current hecтарage	-1190.71	+90.04	-	+ 50.35	-14	1048.91

Source: Summary hectare estate and periode May 2014 from Plantation section 3.01.

There is some discrepancy in the hecтарage compared with year 2013 hectare statement as explained on year 2013 company's performance report, due to some reasons as explained on the table below:

Table 6: Information about discrepancy between year 2013 hectare statement and year 2014 hectare statement.

	Estate	Discrepancy total area	Remarks
1.	KDSHU	-1,190.71	Reduce 1,161.38 ha for Sei Mangke Economic Zone And 29.33 Ha for Pipe line intslation for Unilever mill inside
2	KBANG	+90.04	Additional 92.26 ha new planted from rubber conversion 1.95 Ha is land remeasurement errorin year 2013
3	KGPMA	+50.35	Additional plantation from land optimalization
4	KGPARG	-15	Reduce 15 land ha is remeasurement error
5	KRBTN	-14	Reduce: 1.95 Ha : reamesurement error in year 2014 12.05 Ha : reasurement imature plantation year 2013

Table 7: Planned and actual oil palm replanting activities for company-owned estates supplying to Sei Mangke mill

Year	Total planned replanting area (ha)	Total planned replanting area for each estate (ha)					Actual total area replanted (ha)
		KDSHU	KBANG	KGPARG	KGPMA	KRBTN	
2012	334.25	0.00	69.25	0.00	99.95	161.65	334.25
2013	3.40	0.00	25.50	0.00	0.00	165.25	205.55
2014	0.00	296.45	92.26	394	0.00	88.75	871.46
2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1.9 Area of Plantation (Total, Planted and Mature)

Table 8: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for PTPN III company owned estates

Estate Name	Total area (ha)	Oil Palm Planted area (ha)	Mature (Production) area (ha)	Immature (Non-production) area (ha)	FFB Production (ton)	Average yield/ ha (ton/ha)
Dusun Hulu Estate (KDSHU)	4,852.43	2,509.70	2,213.25	296.45	70,212.430	19.42
Bangun Estate (KBANG)	2,861.14	1,866.44	1,679.43	187.01	28,696.390	18.45
Gunung Para Estate (KGPARG)	4,030.00	567.44	552.44	-	11,844.590	28.58
Pamela Estate (KGPMA)	5,589.06	2,030.37	1,880.07	150.30	37,305.630	22.10
Rambutan Estate (KRBTN)	6,837.67*	4,699.911	3693.64	1006.27	21,085.59	18.85
TOTAL	24,170.3	11,673.86	10,018.83	1655.03	150,167.599	14.98

* Note: Data from January to December 2013. Only 320.97 ha of Rambutan estate area is supplying FFB (11,193.56 ton) to Sei Mangkei mill. Other areas are supplying to other mills.

Table 9: Land use data for PTPNIII Company's owned estates

Estate Name	Total area (ha)	Rubber Planted Area (ha)	Oil Palm Planted Area (ha)	Land used for other purposes (ha)				
				HCV*	Road	Buildings	POM	Other land
Dusun Hulu Estate (KDSHU)	4,852.43	214.70	2,509.70	71.76	45.92	22.81	127.32	1931.98
Bangun Estate (KBANG)	3,378.83	994.70	1,866.44	92.71	108.15	63.60	0.00	342.36
Gunung Para Estate (KGPARG)	4,030.00	2,927.83	567.44	227.40	29.70	71.75	0.00	399.95
Pamela Estate (KGPMA)	5,589.06	1,897.00	2,030.37	170.79	98.63	124.75	0.00	1,400.44
Rambutan Estate (KRBTN)	6,837.67*	1,687.50	4,713.91	91.89	121.89	206.07	0.00	120.4
TOTAL	17,850.32	8,146.43	12,724.57	654.55	404.65	488.98	127.32	4195.13

* Note : Data from January to December 2013. Only 320.97 ha of Rambutan estate area is supplying FFB to Sei Mangkei mill. Other areas are supplying to other mills.

1.10 Progress against Time Bound Plan

The company has revised their time bound plan for RSPO certification of other management units as per the schedule below. The plan was revised as the company was awaiting RSPO certification of Sei Mangke mill and its supply base and is applying experience gained from the first certification to prepare other management units for certification.

Table 10: Time Bound Plan of the Other Management Units

Name of Holding	Location	Time bound plan for certification	Progress in 2013
PKSMK	Sei Mangke / Simalungun	August 2010	Certified
PRBTN	Tebing Tinggi	December 2014	Planned
PSSIL	Sei Silau / Asahan	December 2014	Planned
PANAS	Aek Nabara / L. Batu	June 2014	Certified
PSSUT	Sisumut / L. Batu	November 2014	In-process
PSBAR	Sei Baruhur/ L. Batu	November 2014	In-process
PPARO	Aek Raso/ L. Batu	July 2014	Certified
PTORA	Torgamba/ L. Batu	December 2015	Planned
PATOR	Aek Torop/ L. Batu	June 2014	Certified
PSDAN	Sei Daun/ L. Batu	December 2015	Planned
PSMTI	Sei Meranti/ L. Batu	December 2015	Planned
PHPSG	Batangtoru / Tapanuli Selatan	November 2016	Planned

1.11 Audit against the rules for Partial Certification

Compliance of the PTPN III against the rules for partial certification according to RSPO certification system year 2007 clause 4.2.4 was assessed through document checks and interviews and the head office and through findings of concurrent ISO : 9001 checks conducted at other management units of PTPN III. A summary of findings is as stated below.

Partial Certification Requirements	Audit Findings
1.a. The organization is a member of RSPO	Yes, PTPN III is RSPO member with RSPO number 1-0030-06-000-00 (since 14-12-2006)
1.b. A time-bound plan for achieving certification of all relevant entities;	Company has a time bound plan for achieving RSPO certification for all relevant entities. However, one of the company's development area, Muara Upu site, located at South Tapanuli, has been excluded in company's Time Bound Plan. Up-date, this area was carried out NPP by Certification Body (Sucofindo) in 2012 years.
1.c. i. There are no significant land conflicts	There are some land conflicts/ potential land conflicts ongoing in other PTPNIII management units, such as at Silau Dunia Estate, and Si Sumut estate. The company made a conflict resolution mechanism, however the conflicts are not resolved yet as the mechanism is still not agreed by the land claimants.
1.c. ii. No replacement of primary forest or any area containing HCV since November 2005	The company's carried out development of a new planting area, Muara Upu at South Tapanuli, and has subsequently carried out the New Planting Procedure (NPP) in accordance with this clause.
1c. iii. No labour dispute that are not being	No labour issues were found during this surveillance

resolved through an agreed process.	audit.
1c.iv. No evidence of non compliance with law in any of the non certified holdings	Some of PTPN III's other management units have not complied with certain legal requirements, for example in Silau Dunia estate under another PTPN III management unit, there is an issue with the land area stated in the land use right certificate (HGU). However, the company is taking action by inviting the National Land Agency (BPN) to remeasure the land and resolve the issue. The process is still ongoing.

1.12 Progress of associated smallholders or outgrowers towards RSPO compliance

During surveillance audit, it was found that the company has program towards RSPO compliance for all independent outgrowers that supply FFB to Sei Mangke Palm Oil Mill, such as Memorandum of Understanding between PT Perkebunan Nusantara III (PTPN III) and RSPO with IDH Sustainable Trade Initiative (IDH) (No. 3.12/MoU/01/2012 and 002/MoU/RSPO-PTPN3-IDH/III/2012 and PAL.01.2012.01) regarding "Sustainable Palm Oil Production by Independent Smallholders" and time bound plan for certification independent smallholder (UD.Bentasil and UD.Lestari).

1.13 Revised Approximate Tonnages Certified

The tonnages certified have been revised from the previous amount stated in the RSPO certificate issued in August 2010, as projected production in year 2013 has increased and this was corroborated with records of actual production (refer to Table 4). The revised approximate tonnages certified (as per Appendix 1), based on production in 2013 are as follows:

Crude Palm Oil (CPO) : 37,430 tonnes
Palm Kernel (PK) : 7,546 tonnes

1.14 Recommendation for RSPO Supply Chain Certification

The audit team has confirmed through the audit process that Sei Mangke Palm Oil Mill has established and maintains an effective system to ensure compliance with the RSPO Supply Chain Certification System requirements (dated November 2009). It is also confirmed that the company's still not claimed CPO and PK sold as certified product for the period of January to December 2013 as claimed in the organization's RSPO certificate no. 01 100 096705.

TUV Rheinland Indoneisa recommends that Sei Mangke Mill be approved to maintain certification of compliance to the RSPO Supply Chain Certification System requirements.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

TUV Rheinland Indonesia is member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group was established in 1872 with offices located in over 360 locations in 62 countries on all five continents. TUV Rheinland Indonesia offers certification for a wide range of management systems according to established international standards including ISO 9001, ISO 14001, OHSAS 18001, SA 8000, as well as CDM Project Validations and Verifications. TUV Rheinland Indonesia's office is located in Jakarta, Indonesia.

2.2 Qualifications of Lead Assessor and Assessment Team

The assessment team members of this surveillance audit that were part of the same assessment team for the certification audit are as follows :

- 1) Dian S. Soeminta
- 2) Aswan Hasibuan
- 3) Carol. Ng

New assessment team members that were not part of the previous assessment team are as per the table below:

Name	Position	Qualifications / Experience
Dian S. Soeminta	Lead Auditor	<p>Education: Bachelors Degree in Forestry - Bogor Agriculture Institute. Indonesia, (1990 to 1995).</p> <p>Trainings attended: ISO 9001:2000 lead assessor course 1996 - Neville Clark; ISO 14001 lead assessor course - PE International; OSHAS: 2007 training, Sustainable Forest Management (SFM) - Forest Stewardship Council (FSC) system training; Chain of Custody training for FSC System. RSPO lead Auditor training year 2010 by Pro Forest and Wild Asia. SCCS training by David Ogg Consulting. ISPO Lead Auditor training</p> <p>Working experience: Professional forester since 1995 to 2000. Lead Auditor for Forest Stewardship Council (FSC), Sustainable Forest Certification (SFC) and Chain of Custody (COC) Certification. Lead auditor for Environmental Management System (EMS) and Quality Management System (QMS) audits. Conducted sustainable forest management certification audits on FSC and Indonesian Ecolabel Institute (Lembaga Ecolabel Indonesia - LEI) standards for 20 companies, 50 COC FSC/LEI audits, and EMS and QMS audits at more than hundred companies for TUV Rheinland Indonesia. Instrumental in the preparation of TUV Rheinland Indonesia for Sustainable Forest Management Certification System and TUV Rheinland Malaysia for RSPO Certification. Member of Task Force for Indonesian National Interpretation (Guidance on scheme smallholder RSPO certification). Developed TUV Rheinland RSPO Gap Assessment Checklist and report template.</p>
Aswan Hasibuan	Auditor	<p>Education: Bachelor of Agriculture, University of North Sumatera.</p> <p>Trainings attended: ISO 9000:2000 Series Auditor / Lead Auditor Training - PE International (Jakarta), IEMA Advanced EMS Auditor (IEMA / EARA ISO 14001) Auditor / Lead Auditor Training Course - PE International (Jakarta), OHSAS 18001 Lead Auditor Training Course - PE International (Jakarta).</p> <p>Working experience: Experienced in Quality Control from 1994-2004. Auditor for Quality Management System since 2004 – present. Auditor for Environmental Management System since 2005 – present. Auditor for OHSAS 18001 since 2007 - present. Conducted over 100 Quality</p>

		Management System audits since 2004, over 50 Environmental Management System audits since 2006 , and over 25 OHSAS audits since 2007
Carol Ng	RSPO auditor	<p>Education: Bsc. Biotechnology & Bsc. Environmental Management - Monash University.</p> <p>Trainings attended: RSPO Malaysian National Interpretation Requirements and Certification – SIRIM; Implementation of RSPO Principles & Criteria - QA Plus; RSPO Stepwise Support Programme; 2nd Biodiversity Seminar – RSPO; Certification Body Biodiversity Forum & Workshop – RSPO; Environmental Quality Act 1974 (DOE) and ISO9001:2008 QMS Conversion Requirements (TUV Rheinland).</p> <p>Working experience: Experience in implementing sustainable practices in Sime Darby plantations to comply with RSPO requirements, performing RSPO internal audits and implementing sustainability projects. Prepared training materials and conducted several RSPO requirements trainings and workshops to plantation management teams (2008).</p>
Dewi Akbari	Trainee Auditor	<p>Education: Bsc. Agriculture Departement, University of Brawijaya South Sumatera.</p> <p>Trainings attended: RSPO Malaysian National Interpretation Requirements and Certification – Proforest; ISPO consultant; ISO 14001: 2007 EMS; ISO9001:2008 QMS; OSHAS</p> <p>Working experience: Consultatnt and trainer for Quality management System, Environmental management system, Inodesia Sustainable palm Oil certification PT Surveyor Indonesia..</p>

2.3 Assessment Methodology & Agenda

The surveillance assessment combined with supply chain certification assessment was conducted from 23 to 27 June 2014 as per the assessment program below. The assessment was carried out in accordance with TUV Rheinland Indonesia RSPO audit procedure as well as the RSPO Certification Systems document and RSPO Supply Chain Certification Systems document. During assessment, the qualified TUV Rheinland assessors used the RSPO standard as endorsed for the country in which the assessment took place and recorded their findings.

Due to the location and proximity of the estates, combined with common management systems, it was possible to carry out both field and document assessments of all estates and the mill within the time frame without compromising the integrity of the assessment in anyway.

All 5 estates and 1 mill were visited and the assessment team carried out field and document assessments of compliance to all the RSPO principles and criteria. Common systems were identified and specific evidence was recorded for individual estates. Interviews were conducted at all estates and the mill.

The company proposed the correction and corrective action for all identified non conformities raised to the certification body 30 days after the closing meeting. Document checks to verify closure of major non-conformances was conducted and implementation of corrective actions for minor non-conformities will be verified during the next surveillance audit. The surveillance assessment agenda is as explained below.

3rd Surveillance Assessment Agenda

Date	Location/ Main sites	Main audit activities
23-06-2014	Sei Mangke Mill	Opening meeting Onsite and document verification for all previous audit findings and following aspects : <ul style="list-style-type: none"> • Comply to laws and regulations • Transparancy • OSH implementation • Environmental aspect and impact program • Waste management • Chemical application

Date	Location/ Main sites	Main audit activities
		<ul style="list-style-type: none"> • Supplier Communication • Workers comunication • Best practices SCCS Closing Meeting
24-06-2014	Dusun Ulu Estate	Onsite and document verification for all previous audit findings and following aspects : <ul style="list-style-type: none"> • Comply to laws and regulations • Transparancy • HCV area, implementation of HCV management and monitoring plan • Local communities' communication. • Boundary stone cheking. • Agrochemical application • OSH implementation • Environemntal aspect and impact program • Waste management • Chemical application • Best practice • Workers communication • Communication with local communities • Land Claims Closing Meeting
25-06-2014	Dusun Bangun Estate	Onsite and document verification for all previous audit findings and following aspects: <ul style="list-style-type: none"> • Comply to laws and regulations • Transparancy • HCV area, implementation of HCV management and monitoring plan • Local communities' communication. • Boundary stone cheking. • Agrochemical application • OSH implementation • Environemntal aspect and impact program • Waste management • Chemical application • Best practice • Workers communication • Communication with local communities • Land Claims Closing Meeting
26-06-2014	Gunung Para Estate	Onsite and document verification for all previous audit findings and following aspects: <ul style="list-style-type: none"> • Comply to laws and regulations • Transparancy • HCV area, implementation of HCV management and monitoring plan • Local communities' communication. • Boundary stone cheking. • Agrochemical application • OSH implementation • Environemntal aspect and impact program • Waste management • Chemical application • Best practice

Date	Location/ Main sites	Main audit activities
		<ul style="list-style-type: none"> • Workers communication • Communication with local communities • Land Claims Closing Meeting
27-06-2014	Gunung Pamela Estate	Onsite and document verification for all previous audit findings and following aspects: <ul style="list-style-type: none"> • Comply to laws and regulations • Transparancy • HCV area, implementation of HCV management and monitoring plan • Local communities' communication. • Boundary stone cheking. • Agrochemical application • OSH implementation • Environemntal aspect and impact program • Waste management • Chemical application • Best practice • Workers communication • Communication with local communities • Land Claims Closing Meeting

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings pertaining to RSPO Principles & Criteria

The following is a summary of findings made for the criteria listed in the RSPO Principles & Criteria Indonesian National Interpretation year 2008.

During the 3rd surveillance assessment, 9 non-conformities were assigned against Major Compliance indicators while 8 non conformities was assigned against a Minor Compliance Indicator. Further explanation of the non-conformities raised and corrective actions taken by the company are provided in Section 3.2 & 3.3. The observations & opportunities for improvement are listed in Appendix 5.

Principle 1: Commitment to transparency

Criteria assessed : CR1.1, CR1.2

Criteria not assessed : -

Findings:

There are no changes on company's condition compare with previous audit condition regarding commitment to transparency. There is still available mechanism to record incoming request of information from relevant stakeholder as documented on Procedure no. IK-300-01/01 Rev.04. 01-08-2008 regarding the process of managing letter information and documented procedure no. IK-300-16/01 Rev. 00.01-09-2007 regarding data provided to stakeholders. The company has a documented logbook for incoming letters from stakeholders for requesting information.

As stated on documented procedure, IK-3-12-01/01 Rev.04. 01-09-200, all information requested and records of response of information requested are to be maintained for a period of time determined by the company by considering the importance of its information. It is also stated on the company's working instruction IK-3.00-13/01 that all incoming requests for information will be recorded in a specific form. The company has demonstrated its commitment to response incoming letter from relevant stakeholder, compare with previous year's audit.

Compliance status: Full compliance

Principle 2: Compliance with applicable laws and regulations

Criteria assessed: CR2.1, CR2.2, CR2.3

Criteria not assessed: -

Findings:

There is evidence of compliance to legal requirements as seen from mill licences sampled below.

Regarding construction of the new mill:

- Permission letter dated 30 May 2008 from the 'Menteri Negara Badan Usaha Negara' (State Minister for Business Enterprises) stating permission for construction of new mill with capacity of 45 mt/hr to add on to existing mill with 30 mt/hr capacity.
- License for Building Construction ('Izin Mendirikan Bangunan' or IMB) dated 22 April 2009 for construction of new mill line with additional capacity of 45 mt/hr
- Work Handover Notice letter dated 12 October 2011 from the Directorate of Planning and Extension to the Directorate of Production for the new mill, marking the date of commissioning of the new mill
- Revised Environmental Impacts Analysis (AMDAL) for Construction of Industrial Area of Sei Mangkei mill, approved by the Environmental Department of North Sumatera on 5 December 2011

Regarding land application:

- Extension of license for land application for Sei Mangkei mill dated 30 July 2010 and valid for 5 years issued by the Simalungun regency head. Stated in the licence that areas permitted for land application are 12 blocks in Division 2 of Dusun Hulu estate, i.e. block 94, 104, 103, 114, 124, 133, 134, 144, 113, 123 and 103 covering a total area of 149.40ha, 58,865 m and 1433 long beds. The mill is also required to send a report on land application activities to the Simalungun environmental department once every 3 months. The company has records of land application reports sent to the Simalungun environmental department and records of receipt once a month as seen for sample reports for March (Total FFB processed 28145.5 MT & effluent produced 28,806 MT) and April 2014 (Total FFB processed 31,536 MT & effluent produced 32,440 MT)

Regarding hazardous waste management:

- License for storage of hazardous waste dated 28 October 2013 and valid for 3 years, issued by the Environmental Department of Simalungun. The license stated permission to store used oil containers, oil filters, chemical containers, chemical bags, used battery containers, used light-bulbs, used printer tapes and printer tape boxes. Maximum storage time is 90 days.
- License of contractor, PT Primanru Jaya for collection of hazardous waste dated 8 November 2011 and valid for 5 years. License includes permission to collect various types of hazardous wastes including those produced by the mill. The same contractor is engaged for collection of hazardous wastes at Gunung Para estate

However, the following legal non-compliances were found:

- 1) The mill was unable to show evidence of permission from the department of environment for permission to store hazardous waste more than 90 days.
- 2) Gunung Para estate was unable to show manifest of hazardous waste collection by contractor on 15 July 2013. It was also found that timeframe of hazardous waste collection by licensed contractor from Gunung Para estate had exceeded 180 days, i.e. most recent collection was 19 February 2014 and before that was supposedly on 15 July 2013 (based on logbook data)

There some additional evidence can showed evidence of compliance to legal regulation, such as 1). The company could not show permit letter of plantation conversion from cocoa to palm oil or from rubber to palm oil, etc and production increased permit from government, based on Ministry of Agriculture No.357/Kpts/HK.350/3/2002 jo No.26/Permentan/OT.140/2/2007 article 27 & 28, paragraph 1 in Dusun Hulu/Sei Mangke estate, Gunung Pamela estate, Gunung Para estate, and Rambutan estate.

There is a decree letter from local officer of Integrated Investment Service ("Kepala Badan Pelayanan Perijinan Terpadu dan Penanaman Modal ")Simalungun District No. 188.45/502/BPPT-PM/2013 regarding licence for plantation conversion from rubber plantation to oil plam plantation in Bangun Estate

with total area 27.36 ha dated July 29, 2013.

The company has a list of all applicable laws/legal and other regulations in 2013 years. The process of managing company's compliance with all applicable laws is appropriate but the company has not carried out the identification and evaluation of compliance or fulfillment for Minister of Agriculture decree No. 26/Permentan/OT.140/2/2007, dated February 28, 2007 and Ministry of Manpower No. Per.04/Men/1985 (article 138 and 139). This was raised as non-conformity during 3rd surveillance audit.

The company makes efforts to comply with changes in applicable regulations by having a documented work instruction for updating their list of applicable laws should there be any changes. All applicable regulations are listed and kept up-to-date by Legal and Risk Management section in Head Office Medan. There is evidence that the company makes efforts to comply with changes in regulations. For example, every year, the company complies with the local and provincial government labor minimum wage standard (UMR, upah minimum regional) based on the North Sumatera Governor Decree. A documented procedure for compliance with relevant legal requirements with responsible staff and division is available at management level, district and estate level, as stated on document FM-3-11-01/01 Rev.2, dated 02/06/2009.

Except for Dusun Hulu estate the company's ownership or lease of the land in accordance with relevant laws that is land use certificates (HGU), the details are as follows :

1. **Dusun Hulu Estate** with total area of **± 4,854.43 ha** consists of :
 - 1). Head of National Land Agency decree **No.147/HGU/BPN RI/2009**, dated on October 16, 2009 for total area of **± 2,013.83 ha** (Building Identification Number or 'Nomor Identifikasi Bangunan' (NIB)): 02.09.00.00.00007) which is valid until **March 25, 2035** (25 years). Decisions above consist of HGU certificate No.9 with total area of **± 138.95 ha** and No.10 with total area of **± 1,874.88 ha** in Dusun Ulu Village, Ujung Padang Sub District, Simalungun District, North Sumatera Province;
 - 2). Head of National Land Agency decree **No.29/HGU/BPN/95**, dated on April 20, 1995 for total area **± 835.83 ha** (Building Identification Number (NIB): 02.07.13.05.2.00001) which is valid until **December 31, 2025** (30 years). Decisions above consist of HGU certificate No.1 with total area of **± 835.83 ha** in Limau Manis Village, Lima Puluh Sub District, Asahan District, North Sumatera Province;
 - 3). Head of National Land Agency decree **No.31/HGU/BPN/95**, dated on April 20, 1995 for total area of **± 2,002.77 ha** (Building Identification Number (NIB): 02.09.08.08.2.00001) which is valid until **December 31, 2025** (30 years). Decisions above consist of HGU certificate No.1 with total area of **± 2,002.77 ha** in Sei Mangke Village, Bosar Maligas Sub District, Simalungun District, North Sumatera Province.
 - 4) There is company's planning to develop Sei Mangke Industrial estate zone in Dusun Hulu Estate, company prepared the land title for industrial zone, There is a letter from Head of National and Agency regarding land use right (HGU) for Sei Mangke Industrial zone, according to letter no. 218/14.3/VII asked for Land Management Rights (HPL) document from home stated on the report above, make the impact is reduce 1190.71 ha for year 2014 hectare statement in Dusun Hulu estate. However there is no document of Land Release of part of Land Used Right from plantation area become Industrial zone as required by Decree from National Land Agency. This is raised as non conformity during this audit.
2. **Bangun Estate** with total area of **± 3,378.83 ha** consists of :
 - 1). Head of National Land Agency decree **No.3/HGU/BPN/2005**, dated on January 13, 2005 for total area of **± 2,357.56 ha** (Building Identification Number (NIB): 02.09.03.09.2.00224) which is valid until **August 09, 2030** (25 years). Decisions above consist of HGU certificate No.1 with total area of **± 2,357.56 ha** in Bangun Village, Gunung Malela (d/h Siantar) Sub District, Simalungun District, North Sumatera Province;
 - 2). Head of National Land Agency decree **No.102/HGU/BPN/2005**, dated on July 08, 2005 for total area of **± 1,021.27 ha** which is valid until **December 31, 2029** (25 years). Decisions above consist of HGU certificate No.2 with total area of **± 894.68 ha** (Building Identification Number (NIB) : 02.09.05.06.00168) and HGU certificate No.3 with total area of **± 126.59 ha** (Building Identification Number (NIB) : 02.09.05.06.00169) in Talun Kondot Village, Pane Sub District, Simalungun District, North Sumatera Province;

3. **Gunung Pamela estate** with total area of $\pm 5,589.06$ ha consists of :
- 1) HGU certified No.162 with total area of $\pm 2,100.32$ ha (Building Identification Number (NIB) : 02.04.14.03. 00001) which is valid until **December 31, 2029** in Jambu Village, Tebing Tinggi Sub District, Deli Serdang District, North Sumatera Province.
 - 2) HGU certified No.1/Buluh Duri with total area of $\pm 3,488.74$ ha which is valid until **December 31, 2005** in Buluh Duri Village, Sipispis Sub District, Deli Serdang District, North Sumatera Province. This certificate in the processing of renewal of the land use certificates now (based on letter of Regional Office of National Land Agency in North Sumatera to National Land Agency of Republic of Indonesia No. 540-5336.D, dated on November 11, 2008). Head of Gunung Pamela estate has submitted a letter to the section 3.09 (No. KGPMA/3.09/16/2012, dated on March 13, 2013) in order to accelerate the process of publishing an extension of HGU it.
4. **Gunung Para estate** with total area of $\pm 4,030.003$ ha consists of :
- 1) Head of National Land Agency decree **No.180/HGU/BPN/2004** for total area of $\pm 4,040.003$ ha which is valid until **December 31, 2029** (25 years). Decisions above consist of HGU certificate **No.159/Gunung Para II** with total area $\pm 4,040.003$ ha which is valid until **December 31, 2029** in Gunung Para II Village, Dolok Merawan Sub District, Deli Serdang District, North Sumatera Province. Since 2006 years, total area was reduced by 10 ha (based on no. 01/PH/04/2006, dated on April 07, 2006 about statement of the relinquishment of rights).
5. **Rambutan estate** with total area of $\pm 6,837.67$ ha consists of :
- 1) Head of National Land Agency decree **No. 51/HGU/BPN/95**, dated on August 04, 1995 for total area of $\pm 4,373.78$ ha which is valid until **December 31, 2025**. HGU certificate **No.1** with total area $\pm 4,373.78$ ha which is valid until **December 31,2025** in Paya Bagas Village, Tebing Tinggi Sub District, Deli Serdang District, North Sumatera Province (afd I – V).
 - 2) Head of National Land Agency decree **No. 50/HGU/BPN/95**, dated on August 04, 1995 for total area of ± 569.32 ha which is valid until **December 31, 2025**. HGU certificate **No.1** with total area ± 569.32 ha which is valid until **December 31,2025** in Teluk Mengkudu Sub District, Deli Serdang District, North Sumatera Province (afd VII).
 - 3) Head of National Land Agency decree **No. 53/HGU/BPN/95**, dated on August 04, 1995 for total area of ± 780.45 ha which is valid until **December 31, 2025**. HGU certificate **No.1** with total area ± 780.45 ha which is valid until **December 31,2025** in Teluk Mengkudu Sub District, Deli Serdang District, North Sumatera Province (afd VIII).
 - 4) Head of National Land Agency decree **No. 35-HGU-BPN RI-2009**, dated on February 13, 2009 for total area of ± 793.15 ha (Building Identification Number (NIB) : 02.07.00.00. 00048) which is valid until **February 13, 2034**. HGU certificate **No.18** with total area ± 793.15 ha which is valid until **February 13, 2034** in Sei Simujur Village, Sei Suka Sub District (d/h Air Putih), Batubara District (d/h Asahan), North Sumatera Province (afd VII). At the time of previous surveillance audit, it was found that there is a difference between the measured land area of Sei Simujur division/region (afd VI) in Rambutan estate (1,133.35 ha) with total area stated in HGU (793.15 ha). The company has a working plan for this resolution (dated on June 30, 2011) but until year 2014 audit the company cannot showing show evidence/record of implementation of the working plan that has been made. This is still raised as Non conformity during 3rd surveillance audit.
 - 5) Sei Mangke Palm Oil Mill, the mill located inside the Industrial complex of Sei Mangkei with Land Use Right Permit No. 1/Sei Mangke Village, the land status of industrial estate was change from Land Use Right into Land Management Right as recommended by decree letter from Ministry of National Investment No. S-738/MBU/2012 dated December 12, 2012. The National Land Agency (BPN) has issued license for release of land use right of HGU Sei Mangke according to letter No. 2188/14.3/V/2013. During this 3rd surveillance audit, however there is no evidence that land release status act was made as required by decree letter. This was raised as non conformity.

Some legal boundaries are clearly demarcated, where the company has the program of maintenance boundary stone consists of monitoring (6 month once) and re-marking of the estate boundary stones for missing is gradually. Monitoring of boundary stone has been established for all existing BPN boundary

stones which informing condition/performance (good or was broken or missing) and existence (near road, river, society estate etc) of boundary stones such as boundary stone No.94 (Bangun Estate- Talun Kondot Village), No.68 (Bangun Estate - Bah Sorma Village). Other than the boundary stones, trenches are also established as boundaries.

The company has a documented land dispute and conflict resolution mechanism according to the free, prior and informed consent process, which was last revised on 15 February 2010. However, the process of managing identification of community activities within company land areas related to the legal rights, traditional rights and other uses of land need to be improved. During the 3rd surveillance audit it was found that several ongoing land disputes with local communities at Bangun estate, division IV, as found at Bah Sorma village for 101.59 ha inside HGU No. 3 have not reached a resolution with the company. There is no progress for conflict resolution of land disputes between the company and affected parties and no mechanism which is accepted by both parties to resolve the land conflict, while the progress of land conflict with Reformasi group in Marjanji village which has a land dispute with the company has been improved, the mechanism of land conflict has been accepted by both parties.

Compliance status: Non Compliance

NCR 2014 -01 Of 13 (Major)

The National Land Agency (BPN) has issued license for release of land use right of HGU Sei Mangke according to letter No. 2188/14.3/V/2013. During this 3rd surveillance audit, however there is no evidence that the Land Management Rights (HPL) document was made as required by decree letter.

NCR 2014-02 of 13 (Major)

The company cannot show the evidence/record of implementation of working plan to solve the ongoing land discrepancy between HGU and actual plantation area related Sei Simujur area.

NCR 2014-03 of 13 (Major)

There is identified land conflict between land claimer in Bah Sorma village with Bangun estate Division IV for 101.59 ha inside HGU no.3, however there is no evidence that resolution conflict mechanism has been agreed by both parties.

Principle 3: Commitment to long-term economic and financial viability

Criteria assessed: CR3.1

Criteria not assessed: -

Findings:

The company's current documented plan used as reference for company's working plan is the Rencana Jangka Panjang – RJP (Long Term Plan) document, The information in the RJP document is more focused on plans for production, planting and expenditure (cost) + financial (profit and loss) associated with production operations for both estates and mill for a 5 year working period. The RJP document also includes brief information on a working plan for company's activities related to social aspects, legal compliance, and environmental issues which are currently are the responsibility of the company. The RJP includes working plan documents as guidance for activities in all PTPNIII estates and mills, and at the assessment time company has established an RJP work plan for the period of year 2013-2016, including a RJP for Sei Mangke Mill. The company has evaluated long term plan (RJP) once a years which the results of evaluation contained in the evaluation long term plan (RJP) report.

As an established plantation, PTPN III's estate included in this assessment have already completed several planting cycles / crop rotations, in accordance with the characteristics of palm oil trees which have a maximum age of productivity of only 25 years. All estates have a replanting program, documented in their RJP document as "Long Term Plan / RJP", made for the year 2013 until the year 2014.

Based on summary of replanting program for year 2014, in Rambutan estate is 88.75 ha; Bangun estate is 92.26; Dusun Hulu estate is 296.45 and Gunung para estate is 394. Total replanting program for year 2014 is 871.46 ha.

Compliance status: Full compliance

Principle 4: Use of appropriate best practices by growers and millers

Criteria assessed: CR4.1, CR4.2, CR4.3, CR4.4, CR4.5, CR4.6, CR4.7, CR4.8

Criteria not assessed: -

Findings:

Some standard operating procedures (SOP's) has been changes, to improve the existing SOP, which cover all activities in the estates and mill. All the SOP's of plantation and mill are well documented and established. SOP's for estates cover activities from seeding (nursery), preparation of land, maintenance of unproductive and productive palm tree, harvesting to dispatch of FFB to the palm oil mill. For the mill, SOPs are available for activities from receiving of FFB, sorting, production processes such as sterilizing station, digester, pressing station, clarification station, kernel silo, until dispatch of crude palm oil (CPO), and palm kernel (PK) or palm kernel oil (PKO) to storage tank. At Kebun Bangun found document titled "work instruction / procedur of PT. Perkebunan Nusantara III (PERSERO) – corporate secretary division No. 09 Kbang which contained 37 items. Also found Management system of PT. Perkebunan Nusantara III Medan which contained 20 procedures in it including procedure for land clearing to harvesting. However found inconsistency to the existing procedure i.e. there is no evidence that FFB supplier evaluation was done for year 2013 program in Sei Mangke mill as required by IK-3.03-12/02.

The company is already certified to ISO 9000/14000/ Occupational Safety & Health Management System (SMK3) and implements a quality management system, environmental management system and occupational health and safety management system. Monitoring activities at the mill is based on their procedure, Quality Plan of Production Process doc no. DP-3.03-05/01 where the monitoring activities for quality is carried out for reception of FFB, sterilizing process, crude oil tank, clarifier tank, oil tank, oil purifier, vacuum dryer, sludge tank, sludge separator, and storage tank.

Soil fertility is monitored regularly by PPKS (Pusat Penelitian Kepala Sawit or Oil Palm Research Center) in all estates; the result of regular soil and leaf analysis will be used to maintain soil fertility through recommendations for fertilizer application. All fertilizer activities are well planned, implemented and well recorded in each division. Application of cover crop plantation from leguminosae family such *pueraria javanica* (PJ), *centrocema pubescent* (CP) and *mucuna bracheata*, *calopogonium muconoides* especially in immature plantation are also carried out as an alternative method to maintain soil fertility. EFB application is only carried out at estates located near to the mill, e.g. Gunung Para and Dusun Hulu estate, but for estates located further away, such as Gunung Pamela and Gunung Rambutan, EFB is not applied. The mill has EFB delivery records as seen from mill report to Environmental Department, e.g.:

- 6,521.28 MT delivered in March 2014

- 7,747.78 MT delivered in April 2014

Land application of POME is only carried out at Division 2 of Dusun Hulu estate as it is closest to the mill.

The estate has a fertilizer application program prepared for year 2013 by the Indonesian Oil Palm research institute based on leaf analysis results,

The company has a department for Information Technology and Business Transformation/Corporate Management Representative which prepares large detailed GIS maps for the estates Gunung Pamela estate at an appropriate scale, including fragile soil maps. As seen from the map of Gunung Pamela estate, some fragile areas identified include FUSO areas (previously waterlogged small patches of areas which are no longer waterlogged and have been planted in years 2012 and 2013) and a waterlogged unplantable area known as Nasakom Swamp ('Rawa Nasakom'), which has been conserved as a HCV area.

As seen during field visits to Gunung Pamela estate which has some sloped planted areas, the company implements best practices to reduce erosion at these areas, e.g. by terracing or using hoof method to flatten out area where trees are planted, and maintaining adequate vegetation. There is

no evidence of significant erosion sighted. Some sloped areas also were found in the company's area especially for Dusun Hulu, where has illustrated in the marginal area map. During site visits to sloped areas at Dusun Hulu estate and Gunung Pamela estate, it was observed that there is a good amount of ground cover at planted slope areas, and trees are planted using the horse shoe ('tapak kuda') method in which the soil where individual trees are planted is made flat to reduce soil erosion. Estate division offices maintain road maintenance programs developed on a 3 month rotation period, as stated in the company's work instruction (IK 3.01-17/03 Rev.03, issued August 01, 2008 about road maintenance) and include maps to indicate areas where road maintenance is conducted. Since there is no peat soil were identified in all company's area, the company is not required to monitor subsidence level.

The estates have an SOP on protection of riparian river areas has specific instructions on methods for protection of riparian river. The company (some estate) has signs as boundary the agrochemical application i.e sign "cross" from paint with red, observed in the estate area of Division 6 that a reminder signboard has been put up near the river to inform workers not to carry out spraying or chemical application activities near the river. It was also confirmed through interviews with sprayers in Division 6 that they do not carry out spraying at the river riparian buffer zone areas. The estate has records of training on weeding done for the sprayers at Division 6 (7 participants sighted in training attendance list) which mentions that chemical spraying next to the river is not permitted.

Palm oil mill effluent is treated and pumped directly to field for land application. Four samples of mill effluent are sent for analysis by the laboratory of the Environmental Department of Simalungun District once every 6 months. Evidence of elements of implemented water management with records is available at all estates and the mill.

At Gunung Para estate, a road maintenance program is prepared once every 3 months, e.g. as seen for work program for April- June, it was planned to carry out road maintenance for 3900m each month for production roads, and 11,275m for collection roads. A similar road maintenance program was sighted for Gunung Pamela estate, division 3, where maintenance was carried out for 4000m of production roads once a month between April to June 2014.

Gunung Pamela estate engages a consultant to carries out upstream and downstream water sampling at Padang River. As seen from water sampling results stated in the Environmental Management and Monitoring report for Semester II of year 2013, the BOD results were within the legal limit of 3ppm. However, the downstream water sample used for at Gunung Pamela estate is not located at the last exit point from the estate area (at Division 5), but further upstream at Division 2, although the river continues to flows downstream of this sampling point. This was raised as an observation.

The company implements their river riparian buffer zone management plan by installing wooden poles 10 meters away from river buffer zones areas as indicators that palms located between the river edge and the poles are not to be sprayed and only manual weeding is permitted. Sprayers interviewed at Gunung Para and Gunung Pamela estate informed that they have been briefed to not carry out spraying within these areas.

The estates have work instruction IK-3.01-17/4 regarding Oil Palm Pest Management.

At Gunung Para estate, detection is only conducted for nettle caterpillar pests but not other types of pests such as rats, *oryctes rhinoceros* and wild boar as attacks of these pests. As seen from records of nettle caterpillar detection and spraying activities for Gunung Para estate, there were some attacks of nettle caterpillars at blocks 7, 9 and 18 in February 2014 and blocks 6, 10, and 17 in March 2014. However the classification of detection results was not consistent with what is stated in the work instruction IK-3.01-17/4 regarding Oil Palm Pest Management. The work instruction classifies attacks of 2-5 caterpillars per frond as low, and 6-10 caterpillars per frond as medium. However, some blocks were attacks rates were found to be between 7-8 caterpillars per frond were classified as low.

In addition, the work instruction states chemical treatment of nettle caterpillars shall only be carried out attacks rates are at medium rate, however in March, chemical treatment was carried out at block 17 even though attack rates were classified as low. This was raised as an observation.

For Gunung Pamela estate, sighted record of chemical treatment for nettle caterpillars and bag-worms in March and April 2014 at blocks X1617 and X16 Y1617 and treatment of rats in January 2014 at block DD14 and X20. Checks of detection records in these months shows there was evidence of caterpillar and rat attacks according to the months mentioned, as justification for chemical treatment.

IPM implementation is monitored at estate division offices, which maintain 3 month rotation schedules to conduct census of nettle caterpillars, rats and *Oryctes rhinoceros*, and maintain results of census. Chemical issuance records for 2012 and 2013 show chemicals used for pest control were issued only at fields where pests are found as stated in the company's work instruction (IK 3.01-17/15 about pest and disease control). Seen from records of nettle caterpillar detection and spraying activities for Gunung Para estate, there were some attacks of nettle caterpillars at blocks 7, 9 and 18 in February 2014 and blocks 6, 10, and 17 in March 2014. It was observed that chemical treatment was carried out at block 17 even though attack rates were classified as low, while other blocks had medium rate of caterpillar attack and this was justification for use of chemical treatment. However the classification of detection results for block 17 was not consistent with what is stated in the work instruction IK-3.01-17/4 regarding Oil Palm Pest Management. The work instruction classifies attacks of 2-5 caterpillars per frond as low, and 6-10 caterpillars per frond as medium. However, the block where attacks rates was found to be between 7-8 caterpillars per frond was classified as low, which is not in accordance with the classification in the work instruction. Due to this discrepancy and since it only occurred in one case, this is considered an observation.

During onsite visit to Sei Simujur field Rambutan estat, the audit team observed Ganoderma attack more than 30% planted Oil Palm trees, some action has been taken such using recommended agro-chemical, however the action taken was not follow the existing working instruction i.e. IK-3.01-17/15 rev.04, to minimize the level of attack, this is raised as non conformity.

There is approval letter form "Social, Manpower and Coopretaiion Local Agency" Serdang Bedagai District regarding approval of hazardous Chemical Material no. 18.14/560/02/BKB/2014 dated February 2014, there are 14 listed chemical material in Rambutan estate i.e. Sida Up; Marsal 5G, bayleton, Orthene, Decis, Kleret, Ally, Elmugator, NOBB, Dithene N-45, Klerat, Ethrel SES 2.5 %, Ethrel DEA 2.5%, Ethrel GEA 3.5 %. However it was sighted at the checimal store Rambutan estate, there is also a lot of chemicals material of the brand PROMAX which is not listed on the decree letter, without MSDS attached. There is also letter from Director of Production PTPN 3 no. 3.01/SE/10/2014 dated may 22, 2014 regarding List of chemical used in PTPN3, including the active ingredients however there is no information that Promax has been listed on the decree letter because the material is categorized as bio-chemical. It was observed, there is no more paraquat at the estates.

Records of all pesticides used including active ingredients used, area treated, and amount applied per ha and numbers of applications are maintained. In Gunung Para estate the record for year 2013 showed that the agrochemicals used i.e. SIDA 490 SL was not following with product label recommendations for dosage target. Waste materials from agrochemicals including pesticides containers are properly stored at chemicals warehouse with good ventilated and disposed in accordance with laws and regulations.

The company has implemented a certified Occupational Health and Safety management system and has an OSH Policy (the document entitled "Komitmen Kebijakan Keselamatan dan Kesehatan Kerja (K3)" dated 8/04/13 approved by (Planning and Development Director - PT Perkebunan Nusantara III) implemented in the plantation and mill. The company has occupation safety and health (OHS) committee organization (Panitia Pembina Keselamatan dan Kesehatan Kerja (P2K3)) as responsible person for safety and health programme. The company has provision for accident insurance for worker is JAMSOSTEK as evidenced sampled (Bangun estate) for payment record for February 2014 covering 125 new workers. Rate 6.54% from basic salary, (2% employee and 4.54% contribution by company). Further sampled on wage slip for worker for February 2014 shown contribution made to JAMSOSTEK. While at Kebun Rambutan saw Laporan luran Jamsostek 2014 for January involving 450 workers, February involving 500 workers, March involving 500 workers. Also available as evidence during sampling a list of "Kartu Peserta JAMSOSTEK ('Kartu Peserta JAMSOSTEK' or KPJ)" Kebun Gunung Pamela contained 845 workers. Health monitoring and examinations are regularly conducted for all workers especially whos exposed to high risk (once a year) where records of these are available and all worker (sprayer) in Gunung Pamela estate monitored and examined by a doctor (RA Kartini Hospital Tebing Tinggi). This is improvement from last year surveillance audit. The company has OHS and first aid equipment available at worksites such as helmet, earplug, safety glass, shoes, glove, masker, first aid box, fire extinguishers but found worker not having safety glass for operator boiler and capstant/lorry in in Gunung Para estate as they said not suitable to be worn and found 7 sprayer without sufficient safety galss and Apron, this is raised again as non conformity . According to information from responsible person (warehouse office) , the fire extinguishers were sent out for services after used during extinguishing fire incident occurred at Mill on 12/04/13, however the company did not provide the replacement to prevent emergency condition. First aid kits were provided to all sites of plantation offices and mill office and First Aid trainings are conducted by OHS personnel and nurses at all plantations and in

the mill all chemical clerk and his assistant (Rambutan estate) was attended first aid training, as improvement from last year audit findings. Accident records are maintained and reviewed by OHS committee at the OHS meetings regularly (once a month). Record of work accidents are kept by hospital and OHS personnel and documented in form FM-12-2003. Supervisor at all locations are responsible to investigate accidents and reporting these to the hospital and OHS supervisor. Accident and emergency preparedness procedures are still exist and available at the point of used. Procedure to handle emergencies are documented under PK3-10 revision 01 dated 06-01-2006, and cover emergencies such as fire, explosion, force major, and public demonstrations. Emergency procedures for handling fire at available at office, land and mill and documented in a diagram.

The company has human resource development plan 2014 such as first aid training, waste hazardous waste (LB3) training, integrated pest training, emergency responses to land burning training, preparedness training, etc. Records of training for each employee and training have kept such as attendance list, material of training, certificate (if available).

Training for smallholders related to RSPO and SCCS standard was conducted on May 31, 2014 attended by 11 listed suppliers in Sei Mangke estate.

Compliance status: Non Compliance

NCR 2014-04 of 13 (Minor)

It was found inconsistency to the existing procedure i.e. there is no evidence that FFB supplier evaluation was done for year 2013 program in Sei Mangke mill as required by IK-3.03-12/02.

NCR 2014-05 of 13 (Minor)

It was observed Ganoderma attack more than 30%, however the action was not follow the existing working instruction i.e. IK-3.01-17/15 rev.04, to minimized level of attack

NCR 2014-06 of 13 (Minor)

In Gunung Para estate the record for year 2013 showed that the agrochemicals used i.e. SIDA 490 SL was not following with product label recommendations for dosage target.

NCR 2014-07 of 13 (Minor)

Some workers found not having safety glasses such as for operator boiler and capstant/lorries in Gunung Para estate, and found 7 sprayers without sufficient safety glasses and Apron.

Principle 5: Environmental responsibility and conservation of natural resources and biodiversity

Criteria assessed: CR5.1, CR5.2, CR5.3, CR5.5, CR5.6

Criteria not assessed:

Findings:

The mill has a revised Environmental Impacts Analysis (AMDAL) for Construction of Industrial Area of Sei Mangkei mill, approved by the Environmental Department of North Sumatera on 5 December 2011. This AMDAL covers the old and new mill, the kernel oil plant and electricity production of Sei Mangkei Industrial area.

The mill submits monthly reports to the Environmental Department of Simalungun, as seen from sample reports for March and April 2014, which includes reports on effluent applied for land application, effluent quality, air quality monitoring results, health and cleanliness, fat pit data, composting activities, and EFB application records.

A HCV assessment has been conducted by Natural Resources Conservation Office (BKSDA) and Biodiversity and Biotechnology Research Centre – Bogor Agriculture University (for Bangun estate). The report lists a total of 27 areas in all estates identified as HCV, of which 11 areas are HCV 1, 11 areas identified as HCV4, and 5 areas identified as HCV 6. No HCV 2, 3, or 5 areas were identified. A highly endangered species, the pangolin ('trenggiling') was also identified in several estates. A HCV management and monitoring plan has been done such as planting trees in riparian, maintain conditions

around the spring, keep the grave condition, patrol, etc.

Gunung Pamela has an updated decision letter regarding HCV monitoring team dated 7 March 2014, however it was informed that the estate manager, assistant head A and division V assistant was recently transferred to other estates and replaced by other staff. The letter was revised during the time of audit itself and updated letter dated 12 June 2014 states the new HCV management team.

Posters and signs prohibiting hunting of protected species and information on identified HCV areas are visible in appropriate scale in all locations that identified as HCV areas. If HCV areas bordering with estate or residential communities then one step made in HCV management plan is socialization to the community to understand the benefits and usefulness so that they have a sense belonging and maintain, in Gunung Para estate (Afd II, IV and V) socialization to the society/public was done in September 2013, especially HCV 4 (river) because there were signs that the area will be replanted again such as preparation land/land clearing and preparation of the planting hole. There is no evidence or reported about hunting activities carried out by company's worker. The company assigns personnel assistants in each estate to monitor plans associated with HCV and ERT species. The estate manager in (Gunung Pamela estate) has revised the decree Gunung Pamela estate manager (No. KGPMA/SKPTS/06/2011, dated September 05, 2011) about the HCV monitoring team where the majority of it is personnel have been moved to another estate. There is evidence of HCV training and monitoring activities at Gunung Pamela estate carried out, while report for Semester 1 of year 2014 monitoring results is available. However, the training material does not include methods on how to carry out monitoring activities according to the HCV monitoring plan, such as techniques to determine flora and fauna inventory, species diversity, and collecting feedback from local communities, workers on HCV status. Data in monitoring reports may not be adequate to make conclusions on status of identified HCV areas, e.g. reports have little detail on what type of animal tracks, marks, etc were observed and amount, and no comparison with previous data, but stated that wildlife variety has increased. Some activities in the HCV management plan are not being implemented, e.g. plan stated that erosion monitoring sticks would be obtained and used to monitor soil erosion levels, however, this is has not been done. This was raised as a non conformity.

There is evidence of HCV training done for all members of the HCV monitoring team, i.e. 15 persons, dated 15 July 2014. Training was done by the estate head assistant A, However the training material does not include methods on how to carry out monitoring activities according to the HCV monitoring plan, such as techniques to determine flora and fauna inventory, species diversity, and collecting feedback from local communities, workers on HCV status.

Waste products have been identified and categorized as hazardous and non-hazardous waste. Hazardous waste is stored in a dedicated store, with appropriate label and disposed of by a licensed company. Generated hazardous waste includes used oil from the workshop and mill, used chemical containers (packing), and old batteries. Non hazardous wastes include household waste. Records of disposal of wastes are available. The condition in the field that hazardous waste has been separated with household waste on waste pit. Plans to avoid pollution are in place (documented in Environmental Management Program) and include careful mixing of agrochemicals, diesel tank, bunding, a dedicated concrete waste store and bounded workshop, oil traps and controlled household waste disposal.

However during 3rd surveillance audit still found, timeframe of hazardous waste storage by Sei Mangkei mill had exceeded 180 days, i.e. most recent collection by licensed contractor was on 21 February 2014, while before that was 20 July 2013. However, the mill was unable to show evidence of permission from the department of environment for permission to store hazardous waste more than 90 days. In Gunung Para estate was unable to show manifest of hazardous waste collection by contractor on 15 July 2013. It was also found that timeframe of hazardous waste storage Gunung Para estate had exceeded maximum permitted timeframe of 180 days as stated in their permit, i.e. most recent collection was 19 February 2014 and before that was supposedly on 15 July 2013 (based on logbook data). This is raised as non conformity.

During this surveillance audit, it was found that management of domestic wastes at Gunung Para estate and Rambutan estate requires improvement as there is evidence of burning of wastes, and in some housing areas domestic wastes are not disposed in the pits but scattered on the ground. This is no happen during 3rd surveillance audit.

It was found that hazardous waste such as fluorescent light was dumped not apart from domestic waste at Division III Bangun Estate.

The company has a zero burning policy, during 3rd surveillance audit the company showed good improvement regarding implementation of zero burning policy as required by RSPO P&C, there is no more waste burning activity. However it was observed at Rambutan estate housing area some fire ex-

tinguisher has been broken and no action taken for that condition even the management issued letter to general affair section as founded on letter no. KRBTN/3.09/MO/408/204 dated April 28, 2014.

Renewable energy is generated in Sei Mangke mill such fibre and shell that produced from the mill activities. Records of monitoring of renewable energy used and its efficiency analysis were available at Sei Mangke mill. Estate has recapitulation of consumption fossil fuel records and efficiency analysis. As recorded on “Comparison between Fuel and KWh Chart for year 2014”, according to the graph in January to May 2014 total fibre used is 11,221.161 tonnes and Shell used 2,591.578 tonnes to produce 1,655.179 Kwh electricity. Efficiency from Fiber and Shell from January to May 2014 is Rp 3,773,289,842

The company (mill and estate) has identification of pollution and emissions sources (include GHG (greenhouse gasses emissions) and calculated Green houses gas emission as documented on GHG calculation report for end of year 2011, 2012 and 2013. Generated emission from mill activities such as chimney emission are monitored at least once every six months and regularly reported to local government. The company has program to mitigate greenhouse gas emission from the company's activities such as efficiency of Fossil fuel consumption, preventive maintenance for all machines, and measuring land application volume. It was proven from several repost such as fossil fuel consumption for year 2013 (93,268 litres) has been decreased compare with year 2012 consumption (170,873 l). This is improvement from last year audit finding.

The SOP for mill includes detailed work instruction on handling of mill effluent, which includes details and specifications of effluent treatment pond facilities, specifications of raw effluent, description and methods for each step of effluent treatment process. Work instructions also include handling of rubber effluent (as mill also processes rubber). The SOP still exist until this 3rd surveillance audit.

Compliance status: Non Compliance

NCR 20014-08 of 13 (Minor)

There is evidence of HCV training and monitoring activities at Gunung Pamela estate carried out, while report for Semester 1 of year 2014 monitoring results is available. However:

- 1) The training material does not include methods on how to carry out monitoring activities according to the HCV monitoring plan, such as techniques to determine flora and fauna inventory, species diversity, and collecting feedback from local communities, workers on HCV status.
- 2) Data in monitoring reports may not be adequate to make conclusions on status of identified HCV areas, e.g. reports have little detail on what type of animal tracks, marks, etc were observed and amount, and no comparison with previous data, but stated that wildlife variety has increased.
- 3) Some activities in the HCV management plan are not being implemented, e.g. plan stated that erosion monitoring sticks would be obtained and used to monitor soil erosion levels, however, this is has not been done.

NCR 2014-09 of 13 (Major)

- 1) Timeframe of hazardous waste storage by Sei Mangkei mill had exceeded 180 days, i.e. most recent collection by licensed contractor was on 21 February 2014, while before that was 20 July 2013. However, the mill was unable to show evidence of permission from the department of environment for permission to store hazardous waste more than 90 days.
- 2) Gunung Para estate was unable to show manifest of hazardous waste collection by contractor on 15 July 2013. It was also found that timeframe of hazardous waste storage Gunung Para estate had exceeded maximum permitted timeframe of 180 days as stated in their permit, i.e. most recent collection was 19 February 2014 and before that was supposedly on 15 July 2013 (based on logbook data)

NCR 2014-10 of 13 (Minor)

It was observed at Rambutan estate housing area some fire extinguisher has been broken and no action taken for that condition even the management issued letter to general affair section as founded on letter no. KRBTN/3.09/MO/408/204 dated April 28, 2014.

Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills

Criteria assessed : CR6.1, CR6.2, CR6.3, CR6.4, CR6.5, CR 6.7, CR6.9, CR6.10, CR 6.11
Criteria not assessed : CR6.6, CR6.8

Findings:

PTPNIII still uses Social Impact Assessment (SIA) document that was developed by the Research Institute of the University of North Sumatra in 2009 for Sungai Mangkei Mill, Dusun Hulu estate, Gunung Para Estate and Rambutan estate. The documented long-term plan for Social Impact Management for Dusun Hulu Estate and Sungai Mangkei Mill which includes plan for management of social impacts such as public facilities, employment and business opportunities already including details of time frames for implementation of the plan for year 201 and 2014.

The company has a communication book containing all records of communication and correspondence with various parties, including the community. Examples of records on the logbook of incoming mail in the Rambutan estate for year 2013 and 2014.

The company conducted an event to inform the estate workers union (SPBUN) about company's working agreement on February 02, 2014 for period 2014 and 2015. The information presented including the implementation and evaluation of Collective Labour Agreement (CLA) from 2013 to 2014, which includes the handling of annual leave, increase minimum wages, employee communication etc. There is evidence of the participants list.

The company has materials regarding their conflict and land dispute resolution mechanism which can be implemented with affected parties. Meetings with held with local communities to inform them regarding their conflict resolution mechanism, i.e. for Paya Bagas Village, Sei Serimah, Pertapaan, Sei Belutu, Sei Periuk, Sei Simujur, Sei Bamban villages on 20th June 2011 and still ongoing. The company has a bulletin board with contact numbers for stakeholders if they wish to complain to the company, either by mail, electronic mail or telephone. During this 2014 surveillance found that the contact number shown in the billboard of complaint and grievance procedure can be reached and well responded.

PTPN 3 management has documented company policy on worker age following government regulation, however during 3rd surveillance audit, it was found 2 from 7 sprayers of contractor company, CV Ramadhan, which is outsourced by PTPN3 for spraying activities are below 18 years on April 30, 2014, while they have been working since year 2013. This was raised as a non-conformity.

The company has a mechanism to handling complaint from stakeholder including workers. During 3rd surveillance, there is no record of incoming complaint from stakeholder in all estates under Sei Mangke Palm Oil Mill. Regarding to sexual harassment and violence policy, the company has a policy on sexual harassment and violence which is publicly published including for prevention of violence against woman.

FFB pricing mechanism at the mill is still determined by the Directors Office based on current price of world CPO and kernels. The information is delivered to the mill in the afternoon between the hours of 5-6 pm and will be valid for the next day. There is no detailed explanation about pricing mechanism except conversion factor determination. Suppliers only receive current day's FBB prices through SMS without explanation about its calculation based on existing price. There is also no information about FFB price calculation in the documented agreement between the mill and suppliers, as view from a sample agreement between the supplier, CV Ramayana, and Sei Mangke mill. At Sei Mangkei Mill, FFB rates put on the bulletin board near the front door of the security post. The price listed is only the current day's price while the previous day's price was not stated. The company has working instruction regarding agreement with FFB suppliers as determined on IK-30.3-12/02, however some agreement has not following the requirement as stated on the working instruction section 6.14 regarding calculation method for FFB price referring to Director decree such as for agreement no. DSIMA/SPJ/04/2014 with UD Lestari and No. DSIMA/SPJ/08/2014 with UD Mandiri. This is raised as non conformity.

Payment implementation of contractor's worker still need some improvement because the correction from last audit finding still not effective, because it was still found daily payment for workers of in several estate from contractors such as CV Panomnas at Rambutan Estate only pay Rp. 20.000 for 2.5 working hours (from 07.30-10.30 am); CV Sinar Mandiri in BangunEstate; CV Ramadhan in Gunung Para estate i.e. Rp 20,000 for working 4.5 hours between 07.00-11.30 am. This is not in accordance with the decree letter from the Governor of Sumatra Utara Province regarding minimum wage of North Sumatera province which is Rp. 1,505,860,- per month or Rp 8704.43 per hour. This is raised as a non conformity.

The company's documented SIA has been used as a reference design and implementation of community development programs. Social impacts identified include the availability and condition of social facilities and public facilities, employment and business opportunities. One example of positive impact management of employment opportunities is the corporate priority to recruit employees from local residents. In year 2014 company announce to recruit new employee on the company's website. As founded on June 24, 2014. This regulation still implemented in every estate in 2014.

Compliance status: Non Compliance

NCR no. 2014-11 of 13 (Major)

The correction from last audit finding still not effective, because It was still found daily payment for workers of in several estate from contractor such as CV Panomnas at Rambutan Estate only pay Rp. 20.000 for 2.5 working hours (from 07.30-10.30 am); CV Sinar Mandiri in BangunEstate; CV Ramadhan in Gunung Para estate i.e. Rp 20,000 for 4.5 working hours. This is not in accordance with the decree letter from Governor of Sumatra Utara Province regarding to minimum wage of North Sumatera province which is Rp. 1, 505,860,- per month or Rp 8704.43 per hour.

NCR no. 2014-12 of 13 (Minor)

It was found 2 from 7 sprayers of contractor company, CV Ramadhan, which is outsourced by PTPN3 for spraying activities are below 18 years on April 30, 2014, while they have been working since year 2013.

NCR no. 2014-13 of 13 (Minor)

The company has working instruction regarding agreement with FFB suppliers as determined on IK-30.3-12/02, however some agreement has not following the requirement as stated on the working instruction section 6.14 regarding calculation method for FFB price referring to Director decree such as for agreement no. DSIMA/SPJ/04/2014 with UD Lestari and No. DSIMA/SPJ/08/2014 with UD Mandiri.

Principle 7: Responsible development of new plantings

Criteria assessed: CR7.1, CR7.2, CR7.3, CR7.4, CR7.5, CR7.6, CR7.7

Criteria not assessed:

Findings:

There are new plantings but not in new development area, i.e re-planting and plant conversion (from rubber/cocoa to oil palm) such as in Bangun estate for total 90.04 ha and Gunung Pamela estate for total 50.35 ha, however not in the new land or extension lands so it has an environmental and social impact (EIA / AMDAL) document. The company (5 estates) periodically updates their environmental management program to consider all new and existing negative impacts, with the objectives to mitigate and minimize level of negative impacts. The company will periodically report its environmental performance to the local government every six months where include re-planting or plant converting activity. Re-planting and plant conversion done in the area of the old/previous so the company has a land survey (maps of soil type, topography map, class of land, etc), appropriate with regional spatial, this area has been included in the area that has been carried out HCV assessment, there is no evidence the area is located on land belonging to another person so that there is no requirements for compensation, and no implementation of zero burning.

Compliance status : Full compliance

Principle 8: Commitment to continuous improvement in key areas of activity

Criteria assessed: CR8.1

Criteria not assessed: -

Findings:

There is evidence that the company has carried out improvement, including correction and corrective action from the 2013 RSPO surveillance audit, as explained on the principle no. 1 to 7 above. The company has conducted a review for all improvements.

The estates and mill has a monitoring action plan for the year 2013 performance, through internal audit program and management review , which includes the targets and steps to take to reduce the usage of natural resources such as water, electricity, fossil fuel (petrol, oil and diesel) and paper documented in their Quality, Environment and Occupational Health Plan. The estates also carry out monitoring on achievement of targets and prepare a monthly report on review results / evaluation of quality, environmental and occupational safety and health objectives.

Compliance status : Full compliance

3.2 Status of Previously Identified Non-conformities

During 2nd surveillance audit a total of 17 nonconformances against the RSPO Principles & Criteria Indonesian National Interpretation year 2008 were identified. These consisted of 9 major non-conformities and 8 minor non-conformities.

For the major non-conformances, the company has taken the necessary corrective action to close most of these non-conformances as well as minor non conformities, and this was verified by the audit team during 3rd surveillance audit. The following is a description of the evidence of action taken to close the non-conformities raised during the previous assessment, as well as auditor's conclusions on the status of the non-conformities. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below :

Criterion 1.1 (Major indicator 2) Records of responses to information requests.

**Non-conformance 2013-01 of 17 (Major)
(Remain as Major NCR from NCR no. 2011- 03 of 21)**

As stated on the company's work instruction IK-3.00-13/01 that all incoming requests for information will be recorded in a specific form, and records of response of information requested are to be maintained for a period of time determined by the company by considering the importance of its information. However, there was no evidence of the company's responses to some incoming requests letters :

1. Letter on 22nd January 2013 No. 04/P/PK FTA/SBSI/SM/I/2013 from Worker Union of Sei Mangkei Village regarding to request to be a partner of loading and unloading process at Sei Mangkei Palm Oil Mill.
2. Letter on 29th January 2013 from Banjar Hulu Village regarding to request for donation of office furniture and computer.
3. Letter on 24th April 2013 no. 413.1/02/2003/III/2013 from Dusun Hulu Village Head regarding to request of office furniture.

Evidence of Corrective Action:

It was verified during the 3rd surveillance audit response for Letter on 22nd January 2013 No. 04/P/PK FTA/SBSI/SM/I/2013 from Worker Union of Sei Mangkei Village regarding to request to be a partner of loading and unloading process at Sei Mangkei Palm Oil Mill, Letter on 29th January 2013 from Banjar Hulu Village regarding to request for donation of office furniture and computer and Letter on 24th April 2013 no. 413.1/02/2003/III/2013 from Dusun Hulu Village Head regarding to request of office furniture. Establish receipt for any sent response letter to stakeholder, were responded as recorded on outgoing letter log book in Sei Mangke palm Oil Mill dated August 11m, 2013, Dusun Hulu village dated August

Auditor Conclusions : Closed

Criterion 2.1 (Major indicator 1) Evidence of compliance with relevant legal requirements.

Non-conformance 2013-02 of 17 (Major)

There is no evidence that PTPN III management has comply with decree of Ministry of Agriculture No.357/Kpts/HK.350/3/2002 jo No.26/Permentan/OT.140/2/2007 article 27 & 28, paragraph 1 about the conversion of plants permit and production increased permit.

Evidence of Corrective Action:

There is internal communication letter from district manager to estate manager regarding Registration Letter of Plantation Busines (Surat Pendaftaran Usaha Perkebunan/SPUP) still valid the company on-ly need plantation conversion permit according to decree letter from Ministry of Agriculture No. 367/Kpts/HK.350/2002 jo Peraturan Menteri Pertanian No.26 Tahun 2007.

The company submit permit leter for Plantation Conversion in Bangun estate through decree letter from regent head of Simalungun No. 188.45/503/4172/IKT-PPT/2011 dated September 7, 2011 and notification letter no. 525/1206/Bun/2013, it was stated that plantation conversion has been comply with agro-climate for planting year 2001 to 2005. Furthermore the company has submit to government regarding proposal for permit letter regarding plantation conversion and increase capacity to relevant institution for Gunung Pamela estate, Dusun Hulu estate, Gunung Para estate. While for Rambutan estate and Sei Mangke permit letter is under processing and will be monitor frequently the realization of issuing permit letter.

Auditor Conclusions : Closed

Criterion 2.1. (Minor) 1).A documented system, which includes written information on legal requirements that the palm oil company should comply with. 2).A mechanism for ensuring that compliance with relevant legal requirements is implemented

Non-conformance 2013-03 of 17 (Minor)

There are no evidence that the company has carried out the identification and evaluation of compliance or fulfillment for Minister of Agriculture decree No. 26/Permentan/OT.140/2/2007, dated February 28, 2007 and Ministry of Manpower No. Per.04/Men/1985 (article 138 and 139).

Evidence of Corrective Action:

The organization has conducted identification and evaluation of the Minister of Agriculture decree No. 26 Tahun 2007 (article 27 and 28) and the Minister of Manpower decree No. Per.04/Men/1985 (article 138 and 139). Evaluation of compliance was done and recorded on List of legal and applicable regulation evaluation result edition year 2013.

Auditor Conclusions: Closed

Criterion 2.2 (Major indicator 1) Documents showing ownership or lease of the land in accordance with relevant laws

Non-conformance 2013-04 of 17 (Major) :

The company has not been able to show evidence/record realization of working plan to solve land discrepancy between HGU and actual plantation area related Sei Simujur area.

Evidence of Corrective Action:

In the working plan year 2011 (June to December 2011 period) was informed about the stages to solve the problem such as internal coordination between General Affairs department, Plantation department to conduct remeasurement process by internal surveyor including communication with national land Agency (BPN/Badan Pertanahan Nasional) North Sumatera for land descrapancy in Sei Mujur area. There is found evidence of internal communication such as internal memorandum letter regarding re-measurement from estate manager to legal department, risk management department, and letter from estate manajer to District manager Serdang 2 Legal department and Risk management departement as found on notification letter dated August 25 2008 regarding land descepancy case in Sei Simujur area. There is also found remeasurement result Sei Simujur estate signed by head of land survey and mapping National Land Agency. According to the result the company decides that there is no more problem regarding land descrapancy due to no changes made by BPN for estate map for HGU No. 1 Sei Simujur

793.15 ha the discrepancy is because of difference in measurement equipment used that affect to different accuracy and revised HGU certificate process was stopped.

The company only revised their information in the area statement according to the latest information of total Sei Simujur HGU area according to direction from BPN North Sumatera and has been communicated with BPN Serdang Bedagai for period year 2013 to 2015.

However during the 3rd surveillance audit, document of working plan to solve land discrepancy are not available at Rambutan estate, and no evidence that the action has been done properly as stated on the planned, this is raised again as non conformity during this surveillance audit.

Auditor Conclusions : Open, Raised as NCR no.2014-02 of 13

Criterion 4.4. (Minor indicator 1) An implemented water management plan.

Non-conformance 2013-05 of 17 (Minor) :

There are no signs of restriction for chemical application on the area of located near rivers/waterways such as the area of the waterways at the site Oplan (Gunung Para estate).

Evidence of Corrective Action:

Observed in the estate area of Division 6 that a reminder signboard has been put up near the river to inform workers not to carry out spraying or chemical application activities near the river. It was also confirmed through interviews with sprayers in Division 6 that they do not carry out spraying at the river riparian buffer zone areas. The estate has records of training on weeding done for the sprayers at Division 6 (7 participants sighted in training attendance list) which mentions that chemical spraying next to the river is not permitted.

Auditor Conclusions : Closed

Criterion 4.5 (Minor indicator 1) Monitoring extent of IPM implementation including training

Non-conformance 2013-06 of 17 (Minor)

Inconsistency between implementation with work instruction (WI), example : in WI explained that the spraying will be done when damage the nettle caterpillars in the category of middle but result of verification in field that still in the category of low/lightweight (1.7 caterpillars/stem and 3.08 caterpillars/stem) has been carried out spraying in Dusun Hulu and Bangun estate.

Evidence of Corrective Action:

KGPAP: Seen from records of nettle caterpillar detection and spraying activities for Gunung Para estate, there were some attacks of nettle caterpillars at blocks 7, 9 and 18 in February 2014 and blocks 6, 10, and 17 in March 2014. It was observed that chemical treatment was carried out at block 17 even though attack rates were classified as low, while other blocks had medium rate of caterpillar attack and this was justification for use of chemical treatment. However the classification of detection results for block 17 was not consistent with what is stated in the work instruction IK-3.01-17/4 regarding Oil Palm Pest Management. The work instruction classifies attacks of 2-5 caterpillars per frond as low, and 6-10 caterpillars per frond as medium. However, the block where attacks rates was found to be between 7-8 caterpillars per frond was classified as low, which is not in accordance with the classification in the work instruction. Due to this discrepancy and since it only occurred in one case, this is considered an observation.

Auditor Conclusions : Closed with observations

Criterion 4.6 (Minor indicator 1): Documentary evidence that use of chemicals categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions, and paraquat, is reduced and/or eliminated

Non-conformance 2013- 07 of 17 (Minor) :

There still found paraquat dichloride in Rambutan estate warehouse while this has been restricted by PTPN3 management according to work instruction and circular letter.

Evidence of Corrective Action:

The company made socialization and awareness training to 10 contractors company regarding procedure for agrochemical application and prohibition to use paraquat. The training was conducted on July 17, 2013 as seen on the list of participant and minutes training and photographs. During 3rd surveillance audit it was observed, there is no more paraquat used in rambutan estate, Dusun Hulu estate and others estates, verified on the agrochemical store records, there is no outgoing issuance of Gramoxone to the estates.

Auditor Conclusions: Closed

Criterion 4.6 (Major indicator 2) Records of pesticide use (including active ingredients used, area treated, amount applied per ha and number of applications)

Non-conformance 2013-08 of 17 (Major)

It was sight agrochemicals applications on the circle path immature plantation at block 104/year 2012 (Rambutan estate) whereas according to the work instruction (IK 3.01-17/01 Rev.7, dated on October 15, 2012) this activity is prohibited, the company also can not shown list of chemicals used (including name of active ingredients and doses used).

Evidence of Corrective Action:

According to estate Manager decree letter (No.KRBTN/X/213/2013 dated 17 Juli 2013) to CV Wira Andalan Mandiri, there is exception for Sei Mujur estate to apply paraquate due to condition on the field need quick action for immature plantation year 2012. This is only temporary and will not longer used.

Rambutan estate has demonstrate recapitulation of pesticide usage consist if herbicide, insecticide, and fungisicide for oil palm plantation year 2012 including information about active ingredient, total area and doses.

There is also letter from Director of Production PTPN 3 no. 3.01/SE/10/2014 dated may 22, 2014 regarding List of chemical used in PTPN3, including the active ingredients however there is no information that Promax has been listed on the decree letter.

Auditor Conclusions : Closed

Criterion 4.7. (Minor indicator 2) Regular health examination by a doctor for workers in station or exposed to high risk work

Non-conformance 2013-09 of 17 (Minor)

1).Health monitoring for workers dealing with pesticides in Dusun Hulu estate such as sprayer not regularly monitored and examined by a doctor. Only selected worker send to Sei Dadap Hospital; 2). Found worker not having safety glass in block 134 (Dusun Hulu estate) as they said not suitable to be worn; 3). found 2 fire extinguishers were not available in the box outside chemical store and also other area such as in front fertilizer store (Gunung Para estate); 4). found chemical clerk and his assistant not attended first aid training (Rambutan estate).

Evidence of Corrective action:

It was found records as evidence of Health monitoring for workers dealing with pesticides in Dusun Hulu estate for spayer on year 2014 by company's doctor.

All worker in Dusun Hulu has been wearing appropriate safety glass in block 134 (Dusun Hulu estate) as but still found in Gunung Para sprayers not wearing safety glasses.

Fire extinguishers have been available in the box outside chemical store and also other area such as in front fertilizer store in Gunung Para estate.

Training records for chemical clerk and his assistant attended first aid training in Rambutan estate was

done in year 2013, they are trained by by Manpower department of Serdang Bedagai.

Auditor Conclusions: Closed

Criterion 5.2. (Minor indicator 1) Posters and signs warning of the presence of protected species are to be produced, distributed, and made visible to all workers and the community, including guidelines in handling them

Non-conformance 2013-10 of 17 (Minor):

Gunung Para estate (Afd II, IV and V) has not been socialization to the public, especially HCV 4 (river).

Evidence of Corrective Action:

There is a record of briefing done regarding management of HCV4.1 at Division II on 8 May 2013 for 122 workers, IV on 8 July 2013 for 74 workers and V on 8 April 2013 for 27 workers. Photos of briefing done, attendance lists and signboards at riparian river buffer zones were sighted.

Auditor Conclusions: Closed

Criterion 5.2. (Minor indicator 2) Companies are to appoint dedicated and trained officers to monitor any plans and activities as above.

Non-conformance 2013-11 of 17 (Minor) :

- The organization (Gunung Pamela estate) has not revised the decree Gunung Pamela estate manager (No. KGPM/ASKPTS/06/2011, dated September 05, 2011) about the HCV monitoring team where the majority of it is personnel have been moved to another estate.
- The organization (Gunung Pamela estate) has not shown evidence that has conducted training for HCV monitoring team except assistant of head (2 person).

Evidence of Corrective Action:

- Gunung Pamela has an updated decision letter regarding HCV monitoring team dated 7 March 2014, however it was informed that the estate manager, assistant head A and division V assistant was recently transferred to other estates and replaced by other staff. The letter was revised during the time of audit itself and updated letter dated 12 June 2014 states the new HCV management team
- There is evidence of HCV training done for all members of the HCV monitoring team, i.e. 15 persons, dated 15 July 2014. Training was done by the estate head assistant A.

Auditor Conclusions: Closed

Criterion 5.3 (Major indicator 2) Estates and mills waste management and disposal are implemented to avoid or reduce pollution

Non-conformance 2013-12 of 17 (Major) :

- It was found that domestic waste was thrown directly into riparian river, for example: 1). at Simbolon housing Division IV Bangun Estate, 2). at clinic side housing of Dusun Hulu Estate, 3). at Titi Payung Housing and Hut 8 Gunung Para Estate, 4). Hut Tengah housing at Division VI Kebun Rambutan Estate (this non conformity was raised during last surveillance audit).
- It was found in the field (Division III – Bangun estate) that hazardous waste (neon) mixing with household waste on waste pit.

Evidence of Corrective Action:

There is internal letter from estate manager to their assistance regarding waste control and management according to company's environmental objective and target year 2013 and also for year 2014 including its action plan.

The company provided training material regarding domestic waste management such as photopgraphs, list of participant and environmental management program for year 2013 and 2014. The program consists of socialization, identification of waste disposal for anorganic and organic, waste collection process, organic waste management and evaluation of program effectiveness.

It was verified that internal letter from estate manager to the assistant regarding hazardous waste management in housing area, it is not allowed to be disposed and scattered in the housing environment and separated with other domestic waste.

KGPAP: During site visit to the housing area of Gunung Para estate, it was observed that domestic waste is being disposed at landfills at an area of the estate adjacent but not too near to the housing area. There was no waste being discarded in the housing area or at the river. There are also records of a briefing regarding proper disposal of domestic waste which was done on 15 March 2014 for workers of Division VI housing of Gunung Para estate, informing that wastes should not be burnt and should be disposed at the landfill. However, it was noted that there is no mention that waste should not be disposed in the river.

KGPMA: No evidence of disposal of waste near river was sighted.

Auditor Conclusions : Closed with observations

Criterion 5.5 (Major indicator 2) Records of implementation of zero burning policy

Non-conformance 2013-13 of 17 (Major)

There is no evidence that the company implemented zero burning activities as required by RSPO P&C because there was found waste burning activity in several places such as at :

1. Division 6 and Division 4 housing and 1 palm oil tree get burned at Block 114 Division 6 of Dusun Hulu
2. Division III and Division IV housing of Bangun Estate.
3. Hut 8 housing of Gunung Para Estate.
4. Hut 7 Division 5 housing of Gunung Pamela Estate.
5. Hut Tengah housing Division VI of Rambutan Estate (this was repetition of non conformity from last surveillance audit).

Evidence of Corrective Action:

There is internal letter from estate manager to their assistance regarding waste control and management according to company's environmental objective and target year 2013 including its action plan.

The companies provide training material regarding domestic waste management such as photograph, list of participant and environmental management program for year 2013. The program consists of socialization, identification of waste disposal for anorganic and organic, waste collection process, organic waste management and evaluation of program effectiveness.

It was verified that internal letter from estate manager to the assistant regarding hazardous waste management in housing area, it is not allowed to be disposed and scattered in the housing environment and separated with hazardous waste and other domestic waste and prohibited to burn, separated with hazardous waste.

During site visit to the housing area of Gunung Para estate, no evidence of waste burning was observed. There were also records of a briefing regarding proper disposal of domestic waste which was done on 15 March 2014 for workers of Division VI housing of Gunung Para estate, informing that wastes should not be burnt and should be disposed at the landfill.

During site visit to housing area of Gunung Pamela estate, no evidence of waste burning was sighted. It was informed by the wives of workers staying at the housing area that they dispose of organic waste in holes dug in the ground near their houses, while they collect inorganic wastes such as plastic bottles to be sold to a buyer.

Auditor Conclusions : Closed

Criterion 5.6 (Minor indicator 1) Records of efforts and strategies employed to reduce pollution and emissions.

Non-conformance 2013-14 of 17 (Major escalation form NCR No2011-16 of 21) :

The company (Rambutan estate) has no plan to reduce greenhouse gas emission from the company's

activities.

Evidence of Corrective action:

Rambutan estate has provide working plan to mitigate GHG emission year 2013 such as, identification GHG sources, training for GHG emission to estate managers and estate staffs, distribution energy saving sticker in many places, AC and electrical installation maintenance program, vehicle maintenance program, conservation program through planting forest tree in riparian, zero burning policy, air emission monitoring and measurement program, emergency and preparedness for land burning program and evaluation of programs implementation.

It was sighted realization conservation program for planting of forest tree at riparian river with total 13,826 trees until June 2014. The company also has standard operation procedure for inventarization, calculation balance, mitiation and reduction GHG.

Auditor Conclusions : Closed

Criterion 6.3. (Major indicator 1) An open system, which is accepted by affected parties, to receive complaints and to resolve dispute in an effective, timely and appropriate manner.

Non-conformance 2013-15 of 17 (Major)

Billboard of complaint and grievance procedure cannot be used by the stakeholder because :

1. Contained wrong telephone number
2. 3030 message center by short message service is no longer valid.
3. Suggestion box at Division 5 office - Gunung Pamela Estate can not be opened because the key was missing.

Evidence of Correctiove Action:

The company provides photograph and documentation about internal and external communication procedure and revise the telephone number 3030 was deleted for sms service. The company revised the hotline number replaced with suggestion box in all division office in Gunung Pamela. The company provide socialization and awareness training evidence regarding procedure for complaint for local communities such as workers, staff, head of village, and worker Union (SPBUN).

Auditor Conclusions: Closed

Criterion 6.3 (Minor indicator 1) Records of handling of the complaints.

Non-conformance 2013-16 of 17 (Minor) :

There is no record of complaint and handling upon complaint which had been reported by worker at Hut 8 Gunung Para Estate.

Evidence of Corrective action:

The company provides a log book to records all incoming complain from, with the title "Buku penerimaan keluhan dari stakeholder". There is also stadrad operation procedure to records incoming complaint in each estate. During August 2013 to June 2014, there is no incoming complaint from stakeholder.

Auditor Conclusions: Closed

Criterion 6.5 (Major indicator 1) A documented company policy on sexual harassment and violence.

Non-conformance 2013-17 Of 17 (Major)

It was found daily payment for workers of CV Agung Sejahtera contractor at Gunung Pamela Estate only Rp. 15.000 for 4 working hours (from 7.00-12.00 am), and CV Graha Wahana Perkasa at Rambutan Estate only pay Rp. 20,000 for 3.5 working hours (from 07.00-11.30 am). This is against to Governor of Sumatra Utara Province Decree Letter regarding to minimum wage of North Sumatera province

which is Rp. 1,3350,000,- per month.

Evidence of Corrective Action:

The company provides a table calculation of worker wages including premi allowance according to required minimum wage. The table explain that there is adjustment from existing wage into Rp. 25,000,- for 4 working hours (7.00-11.00am), now the wage has been fulfill minimum wage required by local government. However during the 3rd surveillance audit It was still found daily payment for workers of in several estate from contractor such as CV Panomnas at Rambutan Estate only pay Rp. 20.000 for 2.5 working hours (from 07.30-10.30 am); CV SinarMandiri, BangunEstate; CV RamadhanKebun Gunung Para (Rp 20,000 untuk masa kerja 07.00-11.30). This is against to Governor of Sumatra Utara Province Decree Letter regarding to minimum wage of North Sumatera province which is Rp. 1, 505,860,- per month or Rp 8704.43 per hour. This is raised again as non conformity.

Auditor Conclusions: Open, raised as NCR No. 2014 -11 of 13

3.3 Identified Non-conformances against RSPO P&C Requirements, Corrective Actions Taken and Auditors Conclusions

During this surveillance assessment, a total of 13 nonconformances against the RSPO Principles & Criteria Indonesian National Interpretation year 2008 were identified. These consisted of 5 major non-conformities and 8 minor non-conformities.

For the major non-conformances, the company has taken the necessary corrective action to close most of these non-conformances, and this was verified by the audit team through checks of documents submitted by the company.

For the minor non-conformances, the company has taken corrective action against these as well, and the closure of these minor non-conformities will be assessed during the next surveillance audit. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

Criterion 2.1 (Major indicator 1) Documents showing ownership or lease of the land in accordance with relevant laws.

NCR 2014 -01 Of 13 (Major)

The National Land Agency (BPN) has issued license for release of land use right of HGU Sei Mangke according to letter No. 2188/14.3/V/2013, however there is no evidence that the Land Management Rights (HPL) document was made as required by decree letter No. 2188/14.3/V/2013.

Correction :

To coordinate with National Land Agency for arranging conversion of land status from Land Use Rights (Hak Guna Usaha) to become Land Management Rights (HPL) status and to maintain all relevant arrangement documents.

Corrective Action taken :

To Identify and arrange for the license related to the company's operations in accordance with existing work instruction PK-3.11-02

Auditor Conclusions : Closed

Verification result:

The company provided evidence of documented decree letters from the Head of the National Land Agency RI No. 27/HPL/BPN/RI/ 2014 dated June 24, 2014, regarding Land Management Rights on behalf of PTPN 3 in Medan North Sumatera for 4 area located in Simalungun Distrik become Special Economic Location (Kawasan Ekonomi Khusus). There is statement on the letter regarding termination of land used right status inside the area, and conversion of the status of the areas to Land Management Right status.

Criterion 2.1 (Major indicator 1) Documents showing ownership or lease of the land in accordance with relevant laws.

NCR 2014-02 of 13 (Major)

The company cannot show the evidence/record of implementation of working plan to solve the ongoing land discrepancy between HGU and actual plantation area related Sei Simujur area.

Correction :

To implement and continuing year 2013 working plan for land discrepancy status in Rambutan estate, documenting all records related land problem solving.

Corrective Action taken :

To evaluate hectare statement on each estate every month to identify if any other similar case, and will follow the existing working instruction to solve the problem in accordance with the PK-3.11-08

Auditor Conclusions : Closed with observation

Verification result:

The company provided evidence i.e: Letter to National Land Agency (BPN) regarding land discrepancy No 3.11/X/07/2014, and requesting BPN to assist in resolving the land discrepancy issue. The letter was submitted to BPN on July 08, 2014. Since the BPN is the authorized body for awarding land use rights, the company can only wait from action from the BPN to resolve this issue.

Criterion 2.2 (Minor Indicator 2) A mechanism to resolve conflict which is accepted by all parties.

NCR 2014-03 of 13 (Minor)

There is identified land conflict between land claimer in Bah Sorma village with Bangun estate Division IV for 101.59 ha inside HGU no.3, however there is no evidence that resolution conflict mechanism has been agreed by both parties.

Correction :

To start negotiation program making, and invite the relevant parties to come to the negotiation process to seek the best conflict resolution for both parties and recorded on the minutes meeting. Documented evidence of program implementation in the form of invitations, attendance, minutes, agreements, and the official report is received by the parties

Corrective Action taken :

To prevent land claim and other land problem, company make boundary periodic monitoring program

Auditor Conclusions : Evidence of correction/corrective action will be verified during next audit.

Criterion 4.1. (Minor Indicator 2) Records of operational results.

NCR 2014-04 of 13 (Minor)

It was found inconsistency to the existing procedure i.e. there is no evidence that FFB supplier evaluation was done for year 2013 program in Sei Mangke mill as required by IK-3.03-12/02.

Correction :

To implement verification of FFB from independent supplier including fruit growers suppliers according to IK-3.03-12 / 02

Corrective Action taken :

Mill manager will coordinating with relevant authority to verify FFB supplier according to requirement on IK-3.03-12/02.

Auditor Conclusions: Evidence of correction/corrective action will be verified during next audit.

Criterion 4.5. (Minor Indicator 1) Monitoring extent of IPM implementation including training.

NCR 2014-05 of 13 (Minor)

It was observed Ganoderma attack more than 30%, however the action was not follow the existing working instruction i.e. IK-3.01-17/15 rev.04, to minimize the level of attack

Correction :

Ganoderma attacks have been controlled by Biofungicide (Gig man gano) to reduce its level of growth. Keep maintain all record regarding control of ganoderma attack.

Corrective Action taken :

To control plant diseases according to IK-3.01-17/15 rev. 04, and monitoring the implementation of working instruction periodically to ensure it implementation consistently.

Auditor Conclusions: Evidence of correction/corrective action will be verified during next audit.

Criterion 4.6 (Major Indicator 3): Documentary evidence that usage of agrochemicals is appropriate for the target species, given at correct dosage and applied by trained personnel in accordance with the product label and storage instructions.

NCR 2014-06 of 13 (Major)

In Gunung Para estate the record for year 2013 showed that the agrochemicals used i.e. SIDA 490 SL was not following with product label recommendations for dosage target.

Correction :

There is circular letter from Top Management dated August 11, 2014 regarding commitment for using agrochemical in accordance with factory recommendation.

Corrective Action taken :

To evaluate periodically all application of agrochemical in all PTPN 3 area, following circular letter from Top Management dated August 11, 2014

Date of closure: August 11, 2014

Auditor Conclusions : Closed with observations

The company provided evidence such as:

1. Records of Sida 490 application on August 2014 to show that SIDA application is no longer done above the required dosage by factory recommendation.
2. Circular letter from Top Management dated August 11, 2014 regarding requirement for agrochemical application and instruction to monitor all agrochemical application following factory recommendation every month.

Criterion 4.7. (Minor Indicator 6) Evidence of OHS and first aid equipments available at worksites

NCR 2014-07 of 13 (Minor)

Some workers found not having safety glasses such as for operator boiler and capstant/lorries in Gunung Para estate, and found 7 sprayers without sufficient safety glasses and aprons.

Correction :

Re-socialization the use of PPE to all employees, and documenting the evidence of socialization.

Corrective Action taken :

Evaluating the effectiveness of the use of PPE and give punishment to the workers who are not using PPE

Auditor Conclusions: Evidence of correction/corrective action will be verified during next audit.

Criterion 5.2 (Minor Indicator 2) Companies are to appoint dedicated and trained officers to monitor any plans and activities as above.

NCR 20014-08 of 13 (Minor)

There is evidence of HCV training and monitoring activities at Gunung Pamela estate carried out, while report for Semester 1 of year 2014 monitoring results is available. However:

- 1) The training material does not include methods on how to carry out monitoring activities according to the HCV monitoring plan, such as techniques to determine flora and fauna inventory, species diversity, and collecting feedback from local communities, workers on HCV status.
- 2) Data in monitoring reports may not be adequate to make conclusions on status of identified HCV areas, e.g. reports have little detail on what type of animal tracks, marks, etc were observed and amount, and no comparison with previous data, but stated that wildlife variety has increased.
- 3) Some activities in the HCV management plan are not being implemented, e.g. plan stated that erosion monitoring sticks would be obtained and used to monitor soil erosion levels, however, this is has not been done.

Correction :

1. Make HCV training program to include methods on how to carry out monitoring activities according to the HCV monitoring plan, such as techniques to determine flora and fauna inventory, species diversity, and collecting feedback from local communities, workers on HCV status.
2. Make the monitoring report in accordance with the IK-3.01-26 / 01, to include conclusions on status of identified HCV areas, e.g. reports have little detail on what type of animal tracks, marks were observed and amount, and make comparison with previous data.
3. Implement management programs HCV including program for erosion monitoring.

Corrective Action:

1. Documenting all training material and keep maintained all records relating to HCV training.
2. Conduct internal audit every six month to monitor and review the implementation of HCV management program.

Auditor Conclusions: Evidence of correction/corrective action will be verified during next audit.

Criterion 5.3 (Major Indicator) Estates and mills waste management and disposal are implemented to avoid or reduce pollution.

NCR 2014-09 of 13 (Major)

- 1) Timeframe of hazardous waste storage by Sei Mangkei mill had exceeded 180 days, i.e. most recent collection by licensed contractor was on 21 February 2014, while before that was 20 July 2013. However, the mill was unable to show evidence of permission from the department of environment for permission to store hazardous waste more than 90 days.
- 2) Gunung Para estate was unable to show manifest of hazardous waste collection by contractor on 15 July 2013. It was also found that timeframe of hazardous waste storage Gunung Para estate had exceeded maximum permitted timeframe of 180 days as stated in their permit, i.e. most recent collection was 19 February 2014 and before that was supposedly on 15 July 2013 (based on logbook data)

Correction :

Transporting hazardous waste before the deadline as stated on temporary storage permit. Re-checking waste storage records to ensure that all hazardous waste generated which is less than 50 kg per day can be stored less than 90 days before being handed over to licensed waste collector.

Corrective Action taken :

Conduct monitoring program for all generated hazardous waste by estates or mill and make coordination with licensed vendor.

Auditor Conclusions : Closed with observations

Verification:

The company provide evidence such as:

- Manifest of hazardous waste storage collected by licensed contractor i.e. PT Primanru Jaya dated July 15, 2013
- Decree letter from Director of production PTPN3 regarding notification that hazardous waste retention time must follow government regulation i.e. 90 days, i.e. letter no. 3.03/MO/676/2014.
- However the company still did not provide new temporary storage license, due to still on going on the government approval process. The result will be checked during next surveillance audit.

Criterion 5.5 (Minor Indicator 1) Presence of appropriate fire extinguishers and facilities, depending on the risks assessment

NCR 2014-10 of 13 (Minor)

It was observed at Rambutan estate housing area some fire extinguisher has been broken and no action taken for that condition even the management issued letter to general affair section as founded on letter no. KRBTN/3.09/MO/408/204 dated April 28, 2014.

Correction :

Removed all broken fire extinguisher and replaced with the good one to anticipate emergency condition.

Corrective Action taken :

To make monthly monitoring program to check the condition of fire extinguisher in each area, as early warning system and take action earlier for identified broken fire extinguisher.

Auditor Conclusions: Evidence of correction/corrective action will be verified during next audit.

Criterion 6.5. (Major Indicator 1) Documentation of employees' pay rates.

NCR no. 2014-11of 13 (Major)

The correction from last audit finding still not effective, because it was still found daily payment for workers in several estate from contractors such as CV Panomnas at Rambutan Estate only pay Rp. 20,000 for 2.5 working hours (from 07.30-10.30 am); CV Sinar Mandiri in Bangun Estate; CV Ramadhan in Gunung Para estate i.e. Rp 20,000 for 4.5 working hours between 07.00-11.30 am). This is not in accordance with the decree letter from the Governor of Sumatra Utara Province regarding minimum wage of North Sumatera province which is Rp. 1, 505,860,- per month or Rp 8704.43 per hour.

Correction :

To make calculation for minimum wages paid for subcontractor workers following minimum wage standard required by government, and communicated to all subcontractors.

Corrective Action taken :

To investigate and evaluate the implementation of wage calculation to all existing subcontractor, to prevent inconsistency implementation of company's policy regarding minimum wages payment.

Auditor Conclusions: Closed with observation

Verification result:

The company provide:

1. Revised contract to subcontractor including new calculation of minimum wages i.e. CV Sinar

- Mandiri at Dusun Hulu estate
2. Notification letter from Dusun Hulu estate manager to all subcontractor managers to follow minimum wage requirement as state on North Sumatera decree letter no.188.44/811/KPTS/2013 dated November 01, 2013.
 3. Sample of record of payment to the workers (CV Sinar Mandiri) for period June 2014 has been full fill minimum wages calculation for North Sumatera province, others subcontractor will be checked during next surveillance audit.

Criterion 6.7 (Minor Indicator 2) Records of implementation of company policy on worker age requirements.

NCR no. 2014-12 of 13 (Minor)
It was found 2 from 7 sprayers of contractor company, CV Ramadhan, which is outsourced by PTPN3 for spraying activities are below 18 years on April 30, 2014, while they have been working since year 2013.

Correction :
Update all subcontractor workers data to include information about age and employee date entry.

Corrective Action taken :
To evaluate all subcontractor performance to ensure they are comply with PTPN 3 requirements and government requirement regarding minimum age.

Auditor Conclusions : Evidence of correction/corrective action will be verified during next audit

Criterion 6.10 (Minor Indicator 1) Evidence shall be available that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent.

NCR no. 2014-13 of 13 (Minor)
The company has working instruction regarding agreement with FFB suppliers as determined on IK-30.3-12/02, however some agreement has not following the requirement as stated on the working instruction section 6.14 regarding calculation method for FFB price referring to Director decree such as for agreement no. DSIMA/SPJ/04/2014 with UD Lestari and No. DSIMA/SPJ/08/2014 with UD Mandiri.

Correction :
To include requirement about transparency of price and other components to all FFB suppliers into the revised contract.

Corrective Action taken :
Revised agreement between PTPN3 and their existing FFB supplier to include requirements about transparency, FFB quality requirement and other component and conduct performance evaluation every 6 months.

Auditor Conclusions: Evidence of correction/corrective action will be verified during next audit.

3.4 Description of Supply Chain Management System

The following is a description of the company's supply chain management system according to the RSPO SCCS requirements, including non-conformities found.

1. Documented procedures

Findings:

Based on the company's Director Meeting on December 21, 2010 (Director letter No. 3.12/Email/431/2010) jo Director decree No. 3.03/SKPTS/01/2012 (dated on January 2, 2012) the organization has chosen to establish the Mass Balance (MB) option for supply chain certification system (SCCS).

The organization has integrated the SCCS System with Quality Management System Certification ISO 9001:2008 and Environment Management System ISO 14001:2004.

The organization has established and maintained a supply chain certification system procedure dated 06 June 2011. The SCCS procedures covers the following :

- Work Instruction of FFB purchased and processing from external parties (IK-3.03-12/01)
- Work Instruction for reception of FFB at Palm Oil Mill (IK-3.03-01/16 Rev.03)
- Work Instruction for Palm Oil Processes (IK-3.03-01/19)
- Work Instruction of Palm Oil Product Storage (IK-3.03-01/24)
- Work Instruction of sales palm oil certified to Belawan Instalation, PT Sarana Agro Nusantara, PT IKN dan other parties (IK-3.03-07/02).
- Work Instruction of planning and controlling production process and re-planting (IK-3.01-18/01)
- Work Instruction of grading FFB (IK-3.03-04/01 Rev.06)
- Work Instruction of Weighbridge

Form no. PB-25.01 is the transport document for used for certified FFB which is also stamped with 'CSPO' wording. Trucks used to transport RSPO certified palm oil have been marked as certified sustainable palm oil (CSPO) trucks.

Sei Mangke palm Oil Mill has appointed personnel who has the responsibility and authority to implement the SCCS Requirements is Mill Manager and assistant (based on Director decree No. 3.12/SKPTS/16/2011 dated on June 30, 2011), however the letter only explain that responsibility the management representative only cover CPO production not included PK production, this is raised as non conformity during this 3rd surveillance audit.

Compliance status : Non Compliance

NCR No. 2014- SCCS- 01 of 02

Director decree no. SK Direksi PTPN 3 No. 3.12/SKPTS/16/2011 regarding assignment for responsible person on RSPO SCCS implementation does not state that assigned person is also responsible for SCCS implementation for PK production.

2. Purchasing and goods in

Findings:

There is no changes on company's procedures regarding reception of certified FFB and goods is covered in the company's Work Instruction of FFB Purchased and Palm Oil Processes (IK-3.03-12/01 Rev.03) where informed about definition certified FFB and verify FFB sources. A person has been appointed to be responsible to check and ensure the FFB quality and quantity as per purchase documents.

When receiving RSPO certified palm, personnel in the material warehouse are to verify the claimed category of the material under mass balance system, supplier supply chain certification number, and quality and quantity of products. The organization will identify certified FFB and non certified FFB according to the following methods :

Category	Certified FFB	Non certified FFB
Transport documents	Stamped as 'CSPO'	No stamp
Name boards	Stated as CSPO	Not stated as CSPO
Transport form no. PB-25.01	CSPO Stamped	No stamp
Transport truck	Marked with 'CSPO' sign	No CSPO signs on trucks

The organization has established a procedure/mechanism for handling non conforming material/documents and declassifying the RSPO material when the supplier supply chain certification number is found to be invalid.

Compliance status : Full Compliance

3. Record keeping

Findings :

During the 3rd surveillance audit, the organization still implement mechanism for control and maintenance of the data and document used of the mass balance system consistently. The retention time for all records and reports is at least for five (5) years. The storage and maintainance of documents is the responsibility of the respective departments. The organization has divided the records to be kept to three (3) categories of documents i.e. Active documents (should be stored at least for 1 years), inactive documents (should be stored for at least 1 – 5 years) and permanent documents (Should be stored for more than 5 years and under 30 years). All records pertaining to SCCS implementation are categorized as permanent documents.

The organization retains records and balances of certified palm oil received and deliveries on a monthly basis in 'CPO Stock' ("Neraca Minyak dan Inti Sawit") form and 'CPO Production' ("Produksi Minyak Sawit and Inti Sawit") form. All volumes of palm oil that are delivered are deducted from the material accounting system according to actual daily conversion ratios and delivery product from a possitive stock.

The mill has not outsourced activities to an independent palm kernel crush.

Compliance status : Full Compliance

4. Sales and goods out

Findings:

The mechanism of sales and goods out in Sei Mangke Palm Oil miol is described in their procedure of sales of RSPO certified palm oil made to Belawan Installation (storage tank in Belawan port owned by PTPNIII), PT Sarana Agro Nusantara (a trader of CPO and PK and sister company of PT PN3), PT IKN (a trader and sister company of PTPNIII only for rubber trading) and other parties (IK-3.03-07/02). The supply chain procedure of the company is also implemented for trading of rubber products. Records of all sold RSPO certified materials are recorded in material despatch forms, notifications on material quality and receipts of received palm oil.

The organization has ensured all invoices (Tanda Terima Penyerahan Kelapa Sawit) issued for certified palm oil has included information of name and address of the buyer, dates of when it was issued, description of the products, model of supply chain, quantity the products and references to the transport documents.

Up until the time of this 3rd surveillance audit, the organization has not yet sold their certified palm oil products as certified CSPO.

Compliance status : Full Compliance

5. Training

Findings:

There is company's supply chain certification system training mechanism which is covered in the training procedure (IK3.08-11/01 Rev.07). The organization has established and specified the training records as followed :

- FM-3.08-11/01-01 Human resources Development Programs
- FM-3.08-11/01-02 Training Plan/Schedule
- FM-3.08-11/01-05 Training Attendance List
- FM-3.08-11/01-08 Personal Training evaluation for the Training Implementation
- FM-3.08-11/01-09 Training Evaluation

- FM-3.00-01/02-01 Recapitulation of Document at Working Area

The organization has conducted supply chain certification system standard training for all Sei Mangke Palm Oil Mill employees (dated on June 24, 2011).

The mill manager of Sei Mangke Palm Oil mill just new, also for their laboratory assistant manager, however during the 3rd surveillance audit, there is no evidence found that both person who has responsibility for RSPO SCCS implementation has been trained regarding RSPO SCCS requirement. This is raised as non conformity during 3rd surveillance audit.

Compliance status: Non Compliance

NCR No. 2014- SCCS- 01 of 02

There no evidence that new Sei Mangke Palm Oil Mill manager and laboratory assistant has been trained regarding RSPO SCCS requirement.

7. Claims

Findings:

Until present, the company still has not sold their oil palm products as CSPO. As the company has not made any sale of RSPO certified palm oil, it was not required to verify the accuracy of claims made by the company.

Compliance status : Full Compliance

3.5 Identified Non-conformances against RSPO SCCS Requirements, Corrective Actions Taken and Auditors Conclusions

During this surveillance audit, there are 2 major non-conformities found rearding RSPO SCCS requirement as explained on the following summary of identified non-conformances, corrective actions taken and auditor conclusions.

Criterion E.1.1.b Complete and up to date procedures covering the implementation of all the elements in these requirements

NCR No. 2014- SCCS- 01 of 02

Director decree no. SK Direksi PTPN 3 No. 3.12/SKPTS/16/2011 regarding assignment for responsible person on RSPO SCCS implementation does not state that assigned person is also responsible for SCCS implementation for PK production.

Correction :

Revised director decree PTPN III Nomor : 3.12/SKPTS/16/2011 become Director Decree letter No.: 3.08/SKPTS/57/2014 dated July 01, 2014 to include additional responsibility to control palm kernel and palm kernel oil production following RSPO SCCS requirement.

Corrective Action taken :

The company conduct internal audit regulary to identify all RSPO SCCS requirement which is not included on the PTPN 3 management system, and revised the system accordingly.

Auditor Conclusions : Closed

The company provide revised director decree letter Director No.: 3.08/SKPTS/57/2014 dated July 01, 2014 to include additional responsibility to control palm kernel and palm kernel oil production following RSPO SCCS requirement.

Criterion E.1.1.b Complete and up to date procedures covering the implementation of all the elements in these requirements

NCR No. 2014- SCCS- 01 of 02

There no evidence that new Sei Mangke Palm Oil Mill manager and laboratory assistant has been trained regarding RSPO SCCS requirement.

Correction :

Provide SCCS training to relevant person such as mill manager and laboratory assistant, and maintain all training records.

Corrective Action taken :

The personnel department issued circular letter to all mill managers under PTPN 3 to send the representative for each mill who has no trained yet about RSPO SCCS. RSPO SCCS will be included on corporate yearly training program.

Auditor Conclusions : Closed

The company provided a letter from Personal department regarding training program for all relevant person in RSPO SCCS implementation for palm oil mill under PTPN 3, i.e. letter no. 3.12/300/MO/528/2014 dated July 07, 2014. The training will be conducted centralized by external consultant by the end of August 2014.

3.6 Noteworthy Positive Components

Positive observations on the company's performance pertaining to RSPO compliance is as follows:

1. (Criteria 5.5). It was informed by the wives of workers staying at the housing area of Gunung Pamela estate that they collect inorganic wastes such a plastic bottles to be sold to a buyer, most likely to recycled.
2. (Criteria 6.9). Based on interview with a wife of a worker, all female residents at the Division 6 housing area of Gunung Para estate were provided a briefing by the judge of Tebing Tinggi regarding sexual harassment and violence about 2 weeks prior to the audit. Each participant was provided detailed materials regarding these issues and the contact details of the judge in case of any issues to be raised.
3. The company's staff has good cooperation with the auditor during the surveillance audit.

3.7 Issues Raised by Stakeholders and Findings Pertaining to Issues

Below is a summary of issues raised by stakeholders interviewed on-site

No.	Issues Raised	Management Response	Audit Verification
1	There are no routine meetings held between the villages heads and the company	PTPNIII had responded to the stakeholders wishes by having communication and consultation through periodic meetings in the form of family or business gatherings, having a suggestion box, and publishing magazines ('Media Nusa Tiga', and 'Tranformasi Business') to suit the needs of the stakeholders, however these actions have yet to completely meet the wishes of stakeholders overall in terms of receiving and giving information.	It was found that PTPNIII has a mechanism of Communication and Consultation with Stakeholders. Meeting activities is a form of implementation of this procedure.
2	Interviewee does not know about the written complaint resolution procedure, but know that any complaints	PTPNIII has a complaint resolution mechanism defined in their work instruction document number, IK-3.09-15/01	PTPNIII has a mechanism of complaint resolution. The effectiveness and awareness of the

	can be made verbally to the manager.	('Penyelesaian Konflik'). In conflict resolution, efforts should be made to resolve conflicts through non-litigative measures in the form of meetings with affected parties. If no agreement can be achieved through this method, then the matter shall be resolved through litigation. This mechanism, however, has yet to be fully informed to all stakeholders	mechanism among stakeholders will be reviewed during the next surveillance audit.
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4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit is planned for June 30, 2015

4.2 Acknowledgements of Internal Responsibility and Formal Sign-Off by Client

It is acknowledged that the assessment visit was carried out as described in this report and we accept the assessment findings and report content.

Signed on behalf of PT PN III

Signed on behalf of TUV Rheinland Malaysia




.....
Tio Handoko,
Head of Management System
Date : September 04, 2013

.....
Dian S. Soeminta
Lead Auditor
Date : September 04, 2013

APPENDICES

Appendix 1: List of Abbreviations

AMDAL	Analisis Dampak Lingkungan & Sosial (Social & Environmental Impacts Assessment)
BNP	Land used Agency (Badan Pertanahan nasional)
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
CSPO	Certified Sustainable Palm Oil
EIA	Environmental Impact Assessment
ERTs	Endangered, Rare & Threatened species
ESH	Environmental Safety & Health
FFB	Fresh Fruit Bunches
EFB	Empty Fruit Bunches
GHG	Green Houses Gases
HCV	High Conservation Value
HGU	Hak Guna Usaha (Land Use Certificate)
HIRARC	Hazard Identification, Risk Assessment and Risk Control
HPL	Land Manage Right (Hak Pengelolaan Lahan)
IPM	Integrated Pest Management
IK	Instruksi Kerja (Work Instruction)
KBANG	Kebun Bangun (Bangun estate)
KDSHU	Kebun Dusun Ulu (Dusun Ulu estate)
KGPAR	Kebun Gunung Para (Gunung Para estate)
KGPM	Kebun Gunung Pamela (Gunung Pamela estate)

KRBTN	Kebun Rambutan (Rambutan estate)
LTA	Lost Time Accident
MSDS	Material Safety Data Sheets
MB	Mass Balance
NGO	Non-Government Organization
NIB	Building Identification Number (Nomor Identifikasi Bangunan)
OSH	Occupational Safety & Health
PKO	Palm Kernel Oil
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PPKS	Pusat Penelitian Kepala Sawit (Oil Palm Research Center)
PSMKI	Pabrik Sei Mangkei (Sei Mangkei Palm Oil Mill)
PTPNIII	PT Perkebunan Nusantara III
RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
SIA	Social Impact Assessment
SMK3	System Manajemen Kesehatan dan Keselamatan Kerja (Occupational Safety & Health Management System)
SOP	Standard Operating Procedure
SPBUN	Serikat Pekerja Perkebunan (Estate Workers Union)
UKL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)
UPL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)

Appendix 2: List of Stakeholders Interviewed and Contacted

No.	Name of Stakeholder	Institution - Address	Remark
Stakeholders Interviewed On-Site			
1.	Pak Sarlfat	Mill boiler operator	
2.	Pak Alex	Gunung Para estate sprayer	Contracted worker
3.	Bu Glambo	Gunung Para estate sprayer	Contracted worker
4.	Bu Suratmi	Gunung Para estate sprayer	Contracted worker
5.	Pak Diki	Gunung Para estate sprayer	Contracted worker
6.	Pak Kapin	Gunung Para estate sprayer	Contracted worker
7.	Pak Putera	Gunung Para estate sprayer	Contracted worker
8.	Bu Desi Natalia	Wife of Gunung Para estate worker	
9.	Pak Muhammad Ramjah	Gunung Pamela estate sprayer	Contracted worker
10.	Suhartono	Kebun Bangun	Company' staff
11.	Suharno	Chemical Clerk Kebun Gunung Para	Company's staff
12.	H. Tambal Siregar	Manager Kebun Gunung Pamela	Company's Staff
13.	Rahmachandra	Assistant Kerani Gudang Kebun Gunung Pamela	Company Staff
14.	Suyong	Kerani Gudang Kebun Gunung Pamela	Company's Staff
15.	Sawaludin Siregar	Genset Staff Kebun Gunung Pamela	Company'Staff
16.	Ir. Kasir Karo Karo	Manager Kebun Rambutan	Company Staff
17.	Mhd Aulia SP	Asisten Division VI	Company Staff
18.	Suhartono	Asisten Division VII	Company Staff
19.	Kamdi	Mandore Pupuk	Company Staff
20.	Fachry	RSPO Coordinator	Company's Staff
21.	Idham	RSPO team member	Company's staff

Appendix 3: Observations and Opportunities for Improvement

No.	Observations / Opportunities for Improvement	Criteria
1	Person-in-charge of taking effluent samples for testing has no proper platform to walk on, as he walks on a pipe (risk of falling over) and holds the bottle with bare hands, where the effluent comes in direct contact with his hands	4.7
2	Several fire extinguishers at the mill compound were observed to be below the required pressure range even though they were inspected monthly by the mill	4.7
3	No spill kit made available at the chemical store	5.3
4	Some spillage of calcium carbonate was observed at the kernel lines which was not cleaned up. The mill should make efforts to ensure spillage does not occur or is reduced	5.3
5	Gunung Pamela estate does not have a documented zero burning policy	5.5
6	At sprayer's location at Gunung Para estate, it was observed that chemicals are mixed on-site. This increases risk of spillage of chemicals and pollution	5.6
7	1) It was found from interview with a contracted sprayer, that he was employed by a contractor, i.e. PT Hares Jaya to carry out spraying for PTPNIII since 2011 and at time of this audit he is aged 18 years old, which means he was most likely carrying out spraying work for the company since he was 15 years old. The worker's data provided by the contractor did not include the age of workers for verification by the company that the age of workers is above the legal age limit of 18 years old. However, it was later informed by the worker's supervisor that the worker was only working for 3 months and there was insufficient data to confirm the age of the workers when he started doing spraying work for the company 2) There is lack of mechanism for the company to determine whether temporary workers engaged by contractors meet the minimum age limit.	6.7
8	Female workers interviewed at Gunung Para estate do not have a clearly identified female representative within the company to whom they can report to in case of any cases of sexual harassment or violence.	6.9
9	Emergency response simulation records for year 2014 was not found in Dusun Hulu estate, the last record found is April 2013.	5.5. 3
10	Salary payment for CV Ramadhan's worker was not paid by the employer (CV Ramadhan) rather than by Gunung Pamela staff, this is confusing to understand whether the worker is belong to CV Ramadhan or PTPN 3.	4.7. 3
11	Fire Extinguisher was not available at hazardous waste Gunung Pamela for 3 month.	
12	Some employee complaints was not recorded on the log book as well as result from the employee satisfaction survey.	6.3.1
13	The company has no written checklist for building and facility maintenance program including the checklist to ensure its implementation.	6.5.1
14	Socialization to use PPE has not conducted regularly, the company has no mechanism to ensure that employee aware for using PPE during their activities further for the high risk location.	4.7
15	The PPE from sprayer was not provided sufficiently such as, Apron, body cover, glove and mask.	4.7
16	Socialization for new working agreement year 2014 has not conducted. For supervisor level until the staff, the company could provide it during morning briefing.	6.5.2
17	The company has not evaluated the implementation working agreement between PTPN 3 and its supplier, to ensure that both parties comply with all term and condition inside.	6.5.2 4.8.3

18	There is no checklist provided for Fire Extinguisher monitoring program.	5.5.1
19	The company still not gives more opportunity for woman especially for laboratory technician.	6.8
20	The company has no infrastructure list for fire protection and its maintenance program.	5.5.1.
21	There is no requirement to check lung function defined by PTPN3 for their subcontractor's workers especially for the sprayer beside Cholinetrace test.	4.7.2
22	The worker union has no working program including the time of realization of working program.	6.6
23	Updating applicable legal regulation still not include Ministry of Agriculture requirement no. no 98 year 2013. Regarding Plantation Business License.	2.1
24	Standard for PPE has not updated according to SKPTS no. 3.08/KPTS/33/2014, there were found some consistency such as: 1. The sprayer still using cotton glove not rubber glove 2. Safety shoes still not provided for all workers.	6.5.2
25	The correction from last audit findings regarding implementation of zero burning activities still not effective, because there was found waste burning activity in several places such as at: Housing area in Rambutan estate emplasment. Housing area in Division 1 Bangun estate.	5.5.2
26	Sample of record of payment to the workers (CV Sinar Mandiri) for period June 2014 has been fulfill government regulation, others subcontractor will be checked during next surveillance audit	6.5